



BANCA LOMBARDA PREFERRED SECURITIES TRUST

(a statutory business trust created under the laws of the State of Delaware)

€155,000,000 Step-up Non-voting Non-cumulative Trust Preferred Securities
with a Liquidation Amount of €1,000 per Trust Preferred Security

guaranteed on a subordinated basis to the extent set forth herein by

BANCA LOMBARDA S.p.A.

(a bank incorporated with limited liability under the laws of Italy)

Issue Price: €1,000 per Trust Preferred Security

Banca Lombarda Preferred Securities Trust, a statutory business trust created under the laws of the State of Delaware (the "Trust"), is offering hereby its €155,000,000 Step-up Non-voting Non-cumulative Trust Preferred Securities (the "Trust Preferred Securities"). The Trust Preferred Securities represent undivided beneficial ownership interests in the Trust. The Trust Preferred Securities will be denominated in euro and will be perpetual. Dividends on the Trust Preferred Securities will accrue at a fixed rate of 8.17 per cent. per annum until 10 March 2010 and thereafter at a floating rate per annum of 3.375 per cent. above three-month EURIBOR (as defined herein), to the extent that the Trust has funds legally available for the payment of such dividends.

The assets of the Trust will consist of LLC Class B Preferred Securities (as defined herein) which will be issued by Banca Lombarda Preferred Capital Company LLC, a limited liability company created under the laws of the State of Delaware (the "LLC"), and subscribed for by the Trust with the proceeds of the Trust Securities (as defined herein). The LLC will deposit the proceeds from the issuance of the LLC Class B Preferred Securities with the Luxembourg branch (the "Branch") of Banco di Brescia San Paolo CAB S.p.A., a bank incorporated with limited liability in Italy ("Banco di Brescia").

Banca Lombarda S.p.A. ("Banca Lombarda" or the "Bank"), a bank incorporated with limited liability in Italy, will enter into a Guarantee Agreement (the "Guarantee Agreement") in respect of the payments required to be made by the Trust on the Trust Preferred Securities and by the LLC on the LLC Class B Preferred Securities. The obligations of the Bank under the Guarantee Agreement are subject to certain limitations described herein. Banco di Brescia is a wholly-owned subsidiary of the Bank.

Application has been made to the London Stock Exchange (the "London Stock Exchange") for the Trust Preferred Securities to be admitted to the Official List. Copies of this document, including Annexes A and B, which comprises listing particulars, have been delivered to the Registrar of Companies in England and Wales as required by Section 149 of the Financial Services Act 1986.

The Trust Preferred Securities will initially be represented by a temporary global certificate (the "Temporary Global Certificate") in bearer form which will be deposited with a common depository on behalf of Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme (formerly Cedelbank, hereinafter "Clearstream") on or about 10 March 2000 (the "Closing Date"). Beneficial interests in the Temporary Global Certificate will be exchangeable, not earlier than 40 days after the later of the commencement of the offering and the Closing Date, for beneficial interests in a permanent global certificate in bearer form upon certification of non-U.S. beneficial ownership. The Trust Preferred Securities will be issued in definitive bearer form only in the limited circumstances set forth herein.

LEHMAN BROTHERS

Banca d'Intermediazione Mobiliare IMI S.p.A.

Mediobanca S.p.A.

Sanwa International plc

Barclays Capital

Banca Profilo

Rabobank International

Each of the Trust and the Bank accepts responsibility for the information contained in this document including Annexes A and B. To the best of the knowledge and belief of each of the Trust and the Bank (each of which has taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The information relating to Banca Regionale Europea S.p.A. (“BRE Banca”) contained in Annexes A and B consists of extracts from or summaries of information contained in financial and other information released publicly by BRE Banca or filed by BRE Banca with specified regulatory authorities in Italy. Each of the Trust and the Bank accepts responsibility for accurately reproducing such extracts or summaries. None of the Managers, the Bank, Banco di Brescia, the LLC nor the Trust accepts any further responsibility in respect of such information.

No person has been authorised to give any information or to make any representation not contained in this document (including Annexes A and B) and, if given or made, such information or representation must not be relied upon as having been authorised by any of the Bank, Banco di Brescia, the LLC, the Trust or the Managers (as defined herein). Neither the delivery of this document nor any subscription, sale or purchase made in connection herewith shall, in any circumstances, create any implication that there has been no change in the affairs of the Bank, Banco di Brescia, the LLC or the Trust since the date hereof.

Prospective investors should inform themselves as to the legal requirements and tax consequences within the countries of their residence and domicile for the acquisition, holding or disposition of the Trust Preferred Securities and foreign exchange restrictions that might be relevant to them. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of, the Bank, Banco di Brescia, the LLC, the Trust or the Managers to subscribe for or purchase, any of the Trust Preferred Securities.

The distribution of this Offering Circular and the offering of the Trust Preferred Securities in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by the Bank, Banco di Brescia, the LLC, the Trust and the Managers to inform themselves about, and to observe, any such restrictions.

Without prejudice to the generality of the foregoing, the Trust Preferred Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (“Securities Act”), and, being in bearer form, are subject to U.S. tax law requirements. The Trust Preferred Securities may not be offered, sold, resold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person. See “Subscription and Sale”.

An investment in the Trust Preferred Securities involves certain risks not present in senior ranking debt obligations. The Trust Preferred Securities are appropriate for those persons who are particularly knowledgeable in investment matters and who have the expertise to evaluate the structure of the Trust Preferred Securities, the creditworthiness of the Trust and the Bank and the risks involved. The purchase of Trust Preferred Securities will be deemed a representation by the purchaser to the foregoing effect.

Unless otherwise specified or the context requires, references in this Offering Circular to “euro” or “€” are to the lawful currency of the economic and monetary union pursuant to the Treaty establishing the European Communities, as amended by the Treaty on European Union, references to “Lire” or “ITL” are to the lawful currency of Italy, references to “\$” or “US\$” or “USD” or “US dollars” are to the lawful currency of the United States of America. References to a “billion” are to a thousand million.

In connection with the issue of the Trust Preferred Securities, Lehman Brothers International (Europe) may over-allot or affect transactions which stabilize or maintain the market price of the Trust Preferred Securities at a level which might not otherwise prevail. These actions may be taken on the London Stock Exchange or elsewhere.

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OFFERING CIRCULAR SUMMARY

The Offering

The Trust is offering hereby its €155,000,000 Step-up Non-voting Non-cumulative Trust Preferred Securities. The Trust Preferred Securities will be perpetual, will be denominated in euro and accrue dividends at a fixed rate of 8.17 per cent. per annum until and including 10 March 2010 and thereafter at a floating rate per annum of 3.375 per cent. above three-month EURIBOR (as defined herein). The obligations of the Trust in respect of the Trust Preferred Securities will be guaranteed on a subordinated basis by the Bank in the manner, and to the extent, described herein and in the Guarantee Agreement.

Related Transactions

In connection with the offering of the Trust Preferred Securities, the following series of transactions will also occur. Each of these transactions and the issuance of the Trust Preferred Securities will occur substantially simultaneously on or about 10 March 2000.

- The Trust will issue all of its common securities (the “Trust Common Securities” and, together with the Trust Preferred Securities, the “Trust Securities”) to the Bank.
- The Trust will use all the proceeds from the offering and sale of the Trust Preferred Securities to purchase all of the Class B Preferred Securities (the “LLC Class B Preferred Securities”) issued by the LLC.
- The LLC will issue all of its common securities (the “LLC Common Securities”) to the Bank. The LLC will issue its (i) Class A Preferred Securities (the “LLC Class A Preferred Securities,” and, together with the LLC Class B Preferred Securities, the “LLC Preferred Securities,” and together with the LLC Common Securities, the “LLC Securities”) to the Bank, and its (ii) LLC Class B Preferred Securities to the Property Trustee for the benefit of the holders of the Trust Preferred Securities.
- The LLC will deposit (the “Foreign Branch Deposit”) the proceeds from the issuance of the LLC Securities with the Branch on subordinated terms described herein.
- The Branch will use the Foreign Branch Deposit for general corporate purposes.

It is anticipated that interest payments made by the Branch on the Foreign Branch Deposit will be used by the LLC to make dividend payments on the LLC Securities, including the LLC Class B Preferred Securities, and that dividend payments made by the LLC on the LLC Class B Preferred Securities will be used by the Trust to make dividend payments on the Trust Securities, including the Trust Preferred Securities.

Certain other agreements and instruments will be entered into in connection with, and to give effect to, the foregoing transactions, including without limitation the Trust Agreement, the LLC Agreement, the Deposit Agreement, the Agency Agreement and the Services Agreement, each of which is more fully described and defined in this Offering Circular.

Banca Lombarda

Banca Lombarda is the public parent company of the banking group created by the merger (the “Merger”) of CAB S.p.A. (“CAB”) and Banca San Paolo di Brescia S.p.A. (“Banca San Paolo”). The term “Group” as used herein refers to Banca Lombarda and its consolidated subsidiaries as of any given date. The term “Banca Lombarda Group” as used herein refers to Banca Lombarda and its consolidated subsidiaries as at 30 June 1999.

In terms of branch network size, the Banca Lombarda Group is the largest banking group in the province of Brescia, having a market share of approximately 40 per cent. as at 30 June 1999, and the third largest banking group in Lombardy, having a market share of approximately 9 per cent. as at 30 June 1999. The Banca Lombarda Group was the 19th largest Italian banking group according to 1998 Bank of Italy statistics. As at 30 June 1999, the consolidated total assets of the Banca Lombarda Group amounted to Lire 34,027 billion.

Banca Lombarda also has consolidated subsidiaries carrying out fund management, fiduciary management, leasing, property management and warehousing activities.

The objectives of the Banca Lombarda Group are to strengthen its competitive position in its traditional areas of activity, consolidating the role of retail banks in the Lombardy economic region and at the same time, developing activities in other geographic areas, while seeking to provide its customers with high quality services and products.

On 4 January 1999, Banca Lombarda was first quoted on the Mercato Telematico Azionario managed by Borsa Italiana S.p.A. As at 30 June 1999, Banca Lombarda had approximately 30,000 shareholders and a market capitalisation of approximately Lire 5,021 billion.

The Branch

The Branch was established by Banco di Brescia, and was authorised by the Luxembourg authorities to commence a banking business on 16 December 1992. Banco di Brescia currently conducts the Banca Lombarda Group's principal commercial banking activities. See "Description of Business of Banca Lombarda S.p.A. – History" and "– Subsidiaries and Equity Investments."

Recent Developments

In April 1999, Banca Lombarda acquired 60 per cent. of the share capital of Cassa di Risparmio di Tortona ("CR Tortona") for approximately Lire 281 billion. CR Tortona, which was established in 1911, has a presence in the provinces of Alessandria, Pavia and Turin with a total of 29 branches. Banca Lombarda intends that CR Tortona will retain its legal autonomy and believes that CR Tortona's network of branches is complementary to that of the Banca Lombarda Group.

In December 1999, Banca Lombarda entered into an agreement to acquire 56.7 per cent. of the share capital of Banca Regionale Europea S.p.A. ("BRE Banca"), a bank based in the northwest of Italy, for approximately Lire 2.7 trillion from Fondazione Cassa di Risparmio di Cuneo and Fondazione Banca del Monte di Lombardia, two banking foundations holding 58.1 per cent. and 36.5 per cent. respectively of BRE Banca. Subject to the terms of such agreement, the acquisition is expected to be completed in April 2000. For a description of, and financial information relating to, BRE Banca and its subsidiaries, see Annexes A and B.

Additional information with respect to these acquisitions, and the interim results of the Banca Lombarda Group for the six months ended 30 June 1999, is set forth in "Recent Developments".

Benefits to the Banca Lombarda Group

Banca Lombarda is required by the Bank of Italy to maintain certain levels of capital, both on a consolidated and unconsolidated basis, for bank regulatory purposes. Banca Lombarda believes that, following the issuance of the Trust Preferred Securities and the acquisition of BRE Banca, it will continue to be in compliance with such requirements. See "Capitalisation and Indebtedness of Banca Lombarda S.p.A."

Summary Terms

For a more complete description of the terms of the Trust Preferred Securities, the LLC Class B Preferred Securities, the Guarantee Agreement and the Foreign Branch Deposit referred to in the following summary, see “Description of the Trust Preferred Securities,” “Description of the LLC Securities,” “Description of the Guarantee Agreement” and “Description of the Foreign Branch Deposit.”

The Trust	Banca Lombarda Preferred Securities Trust, a Delaware statutory business trust, is wholly and directly owned by the Bank. The Trust will issue the Trust Preferred Securities. The sole assets of the Trust will be the LLC Class B Preferred Securities.
The LLC	Banca Lombarda Preferred Capital Company LLC, organized as a Delaware limited liability company, is a direct wholly-owned subsidiary of the Bank. The LLC will issue the LLC Securities. The sole assets of the LLC will be the Foreign Branch Deposit or any Eligible Investments (as defined herein) purchased by the LLC with the proceeds thereof.
The Bank	Banca Lombarda S.p.A., a bank incorporated with limited liability in Italy.
The Branch	The Luxembourg branch of Banco di Brescia San Paolo CAB S.p.A., a bank incorporated with limited liability in Italy and a wholly-owned subsidiary of the Bank.
Offered Securities	155,000 Trust Preferred Securities issued by the Trust having an aggregate liquidation amount of €155 million, and a liquidation amount of €1,000 per Trust Preferred Security. The Trust Preferred Securities represent undivided beneficial ownership interests in the assets of the Trust. The Trust Preferred Securities will have terms substantially identical to the terms of the LLC Class B Preferred Securities.
Dividend Payments	<p>Payments of dividends (“Dividends”) on the Trust Preferred Securities will be made to the extent that the Trust has funds legally available for the payment of such Dividends. Amounts available to the Trust for the payment of Dividends and other distributions to the holders of the Trust Preferred Securities will be limited to payments received by the Trust from the LLC with respect to the LLC Class B Preferred Securities. See, however, “– The Guarantee Agreement” below.</p> <p>Dividends on the Trust Preferred Securities and the LLC Class B Preferred Securities will be at a fixed rate per annum (“Fixed Dividend Rate”) of 8.17 per cent. of the liquidation amount per Trust Preferred Security or LLC Class B Preferred Security until and including 10 March 2010 (the “Dividend Re-set Date”) and thereafter at a floating rate per annum (each a “Floating Dividend Rate”) of 3.375 per cent. above three-month EURIBOR (as defined herein). Unless a No-Payment Event (as defined herein) has occurred and is continuing, Dividends at the Fixed Dividend Rate will be payable annually in arrears on 10 March each year commencing 10 March 2001 until and including 10 March 2010,</p>

and thereafter quarterly in arrears on the tenth day of March, June, September and December in each year commencing 10 June 2010 (each a “Dividend Payment Date”).

“EURIBOR” means the Euro Inter-bank Offered Rate for three-month Euro deposits determined in accordance with the terms and conditions of the Trust Preferred Securities. See “Description of the Trust Preferred Securities – Dividends”.

A “No-Payment Event” will be deemed to have occurred if (i) the Bank does not have, according to the unconsolidated annual accounts of the Bank relating to the financial year immediately preceding the year in which a Dividend Payment Date falls or, where such accounts are not available, the last set of unconsolidated accounts approved by the Bank, net profits and/or retained earnings (“Distributable Profits”) that would be available for the payment of a Dividend or the making of a distribution on any class of its equity share capital, or (ii) if the Bank’s unconsolidated or consolidated total capital adequacy ratios are or would fall below the then minimum requirements of the Bank of Italy for any reason, whether as a result of the payment of a Dividend on the LLC Class B Preferred Securities or otherwise, or (iii) the Bank is otherwise prohibited under applicable Italian laws or regulations from declaring a dividend or making a distribution on any class of its equity share capital, or (iv) a Trigger Event has occurred.

A “Trigger Event” will be deemed to have occurred if (i) proceedings are commenced for the liquidation or winding-up of (or similar proceedings with respect to) the Bank, (ii) the Bank’s common shares (and savings shares, if any) and preference shares are fully cancelled by virtue of a reduction to zero of its share capital, or (iii) the Board of Directors of the Bank reasonably determines that the erosion of the Bank’s share capital justifies a determination that a Trigger Event is about to occur.

Dividends will not be cumulative and Dividend payments which are not declared or deemed declared will not accumulate or compound from Dividend Period (as defined below) to Dividend Period. This means that if a Dividend is not declared or deemed declared on any Dividend Payment Date, holders of the LLC Class B Preferred Securities (and consequently, holders of the Trust Preferred Securities) will not, and will have no right to, receive that Dividend at any time, even if Dividends or other distributions are paid in the future.

All rights of the holders of LLC Class B Preferred Securities (and, consequently, holders of the Trust Preferred Securities) to receive Dividends (whether declared and not paid or still to be declared) in respect of the LLC Class B Preferred Securities shall be permanently extinguished and the obligation of the Bank to pay Dividends (except for such obligations under the Guarantee Agreement) shall be permanently cancelled in the event the common shares (and savings shares, if any) and the preference shares of the Bank are fully cancelled by virtue of a reduction to zero of the share capital of the Bank.

Prior to the Dividend Re-set Date, the amount of Dividends will be computed on the Actual/Actual Basis (as defined herein) and on or after the Dividend Re-set Date, the amount of Dividends payable at the Floating Dividend Rate (each a “Floating Rate Dividend”) will be calculated on the basis of the actual number of days in the relevant Dividend Period divided by 360 and rounding the resulting figure upwards to the nearest cent. See “Description of the Trust Preferred Securities – Dividends” and “Description of the LLC Class B Preferred Securities – Dividends”.

A “Dividend Period” is a period from and including the date of the original issuance of the Trust Preferred Securities (or the LLC Class B Preferred Securities, as the case may be) in the case of the first Dividend Period or, in all other cases, a Dividend Payment Date with respect to the Trust Preferred Securities or the LLC Class B Preferred Securities to but excluding the next succeeding Dividend Payment Date for such security.

If, for any reason other than the occurrence of a No-Payment Event, Dividends are not declared by the LLC on any Dividend Payment Date, then, under the terms of the Amended and Restated Limited Liability Company Agreement of the LLC (the “LLC Agreement”) dated 10 March 2000, such Dividends automatically will be deemed declared and authorised on such Dividend Payment Date in full to the extent permitted by Delaware law.

Dividend Limitations.....

So long as any LLC Class B Preferred Securities are outstanding, if dividends or other distributions are made by the LLC, the Bank or any Subsidiary (as defined below), as the case may be, on any Parity Securities (as defined below) or Junior Securities (as defined below), the LLC shall be required to contemporaneously pay Dividends on the LLC Class B Preferred Securities in respect of each Dividend Period that occurs subsequent to such payment in the current fiscal year in which such dividend or other distribution has been made; *provided, however*, that if a Trigger Event or one of certain other No-Payment Events has occurred and is continuing, the LLC shall be entitled, and will be expected, to pay a dividend on the LLC Class A Preferred Securities without having to make a payment of any kind on the LLC Class B Preferred Securities.

Subject to the foregoing, if dividends or other distributions are made on Junior Securities, the amount of Dividends payable in respect of the LLC Class B Preferred Securities shall be full Dividends, and if dividends or other distributions are made on Parity Securities but not Junior Securities, the amount of Dividends payable in respect of the LLC Class B Preferred Securities shall be made on a pro rata basis with such Parity Securities.

In addition, where holders of the LLC Class B Preferred Securities have already received a Dividend as a result of a deemed declaration thereof in circumstances where no corresponding dividend or distribution was made in respect of the relevant Parity Securities or Junior Securities such prior

payment to the holders of the LLC Class B Preferred Securities shall be taken account of in determining whether a Dividend is then payable in respect thereof.

“Junior Securities” is a collective reference to the Junior LLC Shares and the Junior Group Shares.

“Parity Securities” is a collective reference to the Parity LLC Shares and the Parity Group Shares.

“Parity LLC Share” means any class or series of equity securities of the LLC expressly or effectively designated as being on a parity with the LLC Class B Preferred Securities as to dividend rights and rights upon dissolution, liquidation or winding-up of the LLC, it being understood that the LLC shall only be entitled to issue Parity LLC Shares or other shares effectively ranking on a parity with or senior to the LLC Class B Preferred Securities upon satisfaction of the requirements of the LLC Agreement, including, without limitation, receipt of approval from the Independent Director as well as by a majority of the entire Board of Directors of the LLC (the “LLC Board”).

“Junior LLC Share” means the LLC Common Securities and all other classes and series of equity securities of the LLC now or hereafter issued, other than Parity LLC Shares and (if any) any class or series of equity securities of the LLC expressly or effectively designated as being senior to the LLC Class B Preferred Securities as to dividend rights and rights upon dissolution, liquidation or winding-up of the LLC.

“Parity Group Share” means the most senior preferred equity securities or preferred or preference shares issued directly by the Bank or by a Subsidiary with the benefit of a guarantee or similar credit support from the Bank, but does not include any such securities or shares issued to the Bank by any such Subsidiary.

“Junior Group Share” means all classes and series of equity securities of the Bank or any Subsidiary, including its ordinary shares and savings shares, now or hereafter issued, other than any class or series of equity securities of the Bank or any Subsidiary that expressly or effectively ranks on a parity with or senior to any Parity Group Share.

“Subsidiary” means any person or entity in which the Bank, directly or indirectly, owns more than 50 per cent. of the ordinary share capital or voting shares and which is consolidated with the Bank for financial reporting purposes. Therefore, both Banco di Brescia (100 per cent.-owned) and CR Tortona (60 per cent.-owned) are currently Subsidiaries for purposes of the foregoing restrictions, and, assuming the acquisition of BRE Banca is consummated, BRE Banca (to be 56.7 per cent.-owned) will become a Subsidiary.

With respect to Subsidiaries, the purpose of the foregoing restrictions is to ensure that the Subsidiaries (including less than wholly-owned Subsidiaries) are permitted to pay dividends and make distributions on all classes of their equity share capital

without the need for a contemporaneous Dividend to be paid on the LLC Class B Preferred Securities, unless such class of equity share capital of the Subsidiary has the benefit of a guarantee or similar credit support from the Bank. For the avoidance of doubt, no limitation is being placed on the ability of any such Subsidiary to pay or make otherwise lawful dividends and other distributions on its ordinary shares or any other debt or equity capital of such Subsidiary owned by the Bank. The Bank is obligated under the Trust Agreement and the LLC Agreement to ensure that its Subsidiaries do not declare or pay any dividend or other distributions in violation of the foregoing limitations.

The Guarantee Agreement

The Guarantee Agreement is intended to provide holders of the Trust Preferred Securities and holders of the LLC Class B Preferred Securities with rights to Dividends and Additional Amounts (as defined below) and rights upon liquidation or redemption equivalent to those to which the holders would be entitled if they held the most senior ranking preferred equity securities (including savings shares) or preferred or preference shares issued directly by the Bank.

Accordingly, to the extent and for the amount not otherwise paid in accordance with the terms thereof, the Bank will be obligated (without duplication) under the Guarantee Agreement to pay (A)(i) all Dividends (including Dividend payments referred to in “Dividend Limitations” above) that have been declared or deemed declared on the Trust Preferred Securities, (ii) payment on liquidation of the Trust of the liquidation amount of €1,000 per Trust Preferred Security, (iii) payments of the Redemption Price or the Special Redemption Price (each as defined below) on redemption of the Trust Preferred Securities and (iv) payments of Additional Amounts (as defined below), if any, on any payment referred to in (A)(i) (ii) or (iii), and (B)(i) all Dividends (including Dividend payments referred to in “Dividend Limitations” above) that have been declared or deemed declared on the LLC Class B Preferred Securities, (ii) payment on liquidation of the LLC of the liquidation amount of €1,000 per LLC Class B Preferred Security, (iii) payments of the Redemption Price or the Special Redemption Price on redemption of the LLC Class B Preferred Securities and (iv) payments of Additional Amounts, if any, on any payment referred to in (B)(i) (ii) or (iii). Any such payment by the Bank under the Guarantee Agreement is referred to herein as a “Guarantee Payment.”

Notwithstanding the restrictions on the declaration and payment of Dividends by the LLC, the Bank will be permitted to make payments under the Guarantee Agreement in its discretion. However, the Bank will not be required to make any Guarantee Payment if a No-Payment Event has occurred and is continuing. The payment of a dividend or the making of a distribution on Parity Securities or Junior Securities is not a condition precedent to the Bank’s obligations under the Guarantee Agreement.

Subject to applicable law, the Bank’s obligations under the Guarantee Agreement constitute an unsecured obligation of the

Bank and will actually and effectively rank subordinate and junior to all indebtedness of the Bank (other than any guarantee or contractual right expressed to rank *pari passu* with the Guarantee Agreement).

LLC Class A

Preferred Securities

The LLC Class A Preferred Securities represent limited liability company interests in the LLC. All of the LLC Class A Preferred Securities will initially be owned directly by the Bank. Any sale, transfer or other disposition by the Bank of the LLC Class A Preferred Securities other than to a wholly-owned subsidiary of the Bank will require the approval of the Independent Director; *provided, however*, that prior to such sale, transfer or other disposition, the Bank has received an opinion of a nationally recognized law firm in the United States experienced in such matters to the effect that (A) the LLC will continue to be treated as a partnership for United States federal income tax purposes and such transfer will not cause the LLC to be classified as an association or publicly traded partnership taxable as a corporation for the United States federal income tax purposes, (B) such transfer will not cause the LLC or the Trust to be required to register under the 1940 Act (as defined herein), (C) such transfer will not adversely affect the limited liability of the holders of the LLC Class B Preferred Securities and (D) such transfer will not cause a Capital Event. The LLC Class A Preferred Securities are non-voting. Prior to liquidation of the LLC, Dividends on the LLC Class A Preferred Securities will be paid as, when and if declared by the LLC Board, but only after payment of all Dividends required to be paid to holders of the LLC Class B Preferred Securities.

The LLC does not currently expect to pay Dividends and other distributions on the LLC Class A Preferred Securities, except that Dividends and other distributions are likely to, but need not, be made on the LLC Class A Preferred Securities following and during the continuance of a Trigger Event or any other No-Payment Event. The payment of Dividends on the LLC Class A Preferred Securities is not a condition to the payment of Dividends on the LLC Class B Preferred Securities.

Upon liquidation of the LLC, the LLC Class A Preferred Securities will rank senior to the LLC Class B Preferred Securities and the LLC Common Securities, and, after satisfaction of liabilities of creditors, the holders of the LLC Class A Preferred Securities will be entitled to receive all the assets of the LLC, including any then remaining interest in the Foreign Branch Deposit or any Eligible Investments, as their liquidation distribution; *provided, however*, that upon liquidation of the LLC, the Property Trustee shall enforce the Guarantee Agreement solely for the benefit of the holders of the LLC Class B Preferred Securities. Under the terms of the LLC Agreement and to the fullest extent permitted by law, the LLC shall not be dissolved until all claims under the Guarantee Agreement shall have been paid in full pursuant to the terms of the Guarantee Agreement. So long as any LLC Class B Preferred Securities are

outstanding, the LLC will only be dissolved, liquidated or wound-up with the prior approval of the Bank of Italy upon the occurrence of a Trigger Event.

Payment of Additional Amounts

All payments in respect of the Trust Preferred Securities by or on behalf of the Trust will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature, imposed or levied by or on behalf of Italy, the United States or the jurisdiction (currently Luxembourg) where the Foreign Branch Deposit or Eligible Investments are located (each, a “Relevant Jurisdiction”) or any authority therein or thereof having power to tax (collectively, “Relevant Tax”), unless the withholding or deduction of such Relevant Tax is required by law. In that event, the Trust will pay, as further Dividends, such additional amounts (“Additional Amounts”) as may be necessary in order that the net amounts received by the holders of the Trust Preferred Securities, after such withholding or deduction, will equal the amount which would have been received in respect of the Trust Preferred Securities in the absence of such withholding or deduction, except that no such Additional Amounts will be payable to a holder of Trust Preferred Securities (or to a third party on the holder’s behalf) with respect to any Trust Preferred Securities to the extent that such Relevant Tax is imposed or levied by virtue of such holder (or the beneficial owner of such Trust Preferred Securities) (i) having some connection with the Relevant Jurisdiction, other than being a holder (or beneficial owner) of such Trust Preferred Securities or (ii) not having made a declaration of non-residence in, or other lack of connection with, the Relevant Jurisdiction or any similar claim for exemption, if the Bank or its agent has provided the beneficial owner of such Trust Preferred Securities or its nominee with at least 60 days’ prior written notice of an opportunity to make such a declaration or claim.

The LLC will pay such Additional Amounts to each holder of the LLC Class B Preferred Securities as may be necessary so that every payment in respect of the Trust Preferred Securities, after withholding for any Relevant Tax, will not be less than the amount otherwise required to be paid, subject to certain exceptions described herein.

Under the Guarantee Agreement, the Bank will pay such Additional Amounts as may be necessary so that every payment thereunder, after withholding for any Relevant Tax, will not be less than the amount otherwise required to be paid, subject to certain exceptions described herein.

Under the Foreign Branch Deposit, the Branch will pay such Additional Amounts as may be necessary so that every payment thereunder, after withholding for any Relevant Tax, will not be less than the amount otherwise required to be paid, subject to certain exceptions described herein.

Redemptions and**Repurchases**

The Trust Preferred Securities will be redeemed when, if and to the extent that the LLC Class B Preferred Securities are redeemed. In addition, following any liquidation of the Trust as a result of the occurrence of a Trust Special Event (as defined below), holders of the Trust Preferred Securities will receive a corresponding number of LLC Class B Preferred Securities with the equivalent aggregate liquidation amount. The LLC Class B Preferred Securities may be redeemed by the LLC, at its option, in whole or in part, at the Redemption Price (as defined below) on any Dividend Payment Date occurring on or after 10 March 2010, subject to receipt of the prior approval of the Bank and, if then required, the Bank of Italy. Upon the occurrence of an LLC Special Event (as defined below), the LLC Class B Securities may be redeemed by the LLC, at its option, in whole but not in part, at the Redemption Price on any Dividend Payment Date, if such occurrence is on or after 10 March 2010, or at the Special Redemption Price (as defined below) at any time, if such occurrence is prior to 10 March 2010 (“Special Redemption Date”), in each case, with the prior approval of the Bank and, if then required, the Bank of Italy.

The “Redemption Price” for any LLC Class B Preferred Security means the liquidation amount in respect of such LLC Class B Preferred Security, plus any accumulated, accrued and unpaid Dividends (and any unpaid, declared or deemed declared Dividends, if any) for the current Dividend Period through the date of redemption, plus Additional Amounts thereon, if any.

“Special Redemption Price” means the greater of (i) the liquidation amount of €1,000 per LLC Class B Preferred Security and (ii) the sum, as determined by the Quotation Agent (as defined herein), of the present value of the €1,000 liquidation amount per LLC Class B Preferred Security at 10 March 2010, together with the present values of the scheduled Dividends on the LLC Class B Preferred Securities from the Special Redemption Date to 10 March 2010 (the “Remaining Life”), in each case discounted to the Special Redemption Date on an annual basis at the German Bund Rate plus 50 basis points, plus in the case of either (i) or (ii), any accumulated, accrued and unpaid Dividends (and any unpaid declared or deemed declared Dividends, if any) for the current Dividend Period through the date of redemption, plus Additional Amounts thereon, if any.

“German Bund Rate” means, with respect to any Special Redemption Date, the rate per annum equal to the equivalent yield to maturity of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such Special Redemption Date.

“Comparable German Bund Issue” means the German Bund security selected by the Quotation Agent as having a maturity comparable to the Remaining Life of the LLC Class B Preferred

Securities to be redeemed that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such LLC Class B Preferred Securities.

“Comparable German Bund Price” means, with respect to any Special Redemption Date, (A) the average of the Reference German Bund Dealer Quotations for such Special Redemption Date, after excluding the highest and lowest such Reference German Bund Dealer Quotations, or (B) if the Quotation Agent obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations.

“Reference German Bund Dealer Quotations” means, with respect to each Reference German Bund Dealer and any Special Redemption Date, the average as determined by the Quotation Agent, of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by such Reference German Bund Dealer at 3.30 p.m. (Frankfurt, Germany time) on the third business day preceding such Special Redemption Date.

“Bund” means government bonds issued by the German government or another government debt security that is the relevant benchmark security for pricing the amount payable in euros upon redemption of the LLC Class B Preferred Securities, as determined by the Quotation Agent in accordance with customary financial practice.

“Quotation Agent” means Lehman Brothers International (Europe), and its successors; *provided, however*, that if the foregoing shall cease to be a primary bund dealer in Frankfurt, the LLC shall appoint another Quotation Agent that is a primary bund dealer in Frankfurt.

A “Trust Special Event” means (i) a Tax Event solely with respect to the Trust, but not with respect to the LLC or (ii) an Investment Company Event solely with respect to the Trust, but not with respect to the LLC.

An “LLC Special Event” means (i) a Capital Event, (ii) Tax Event with respect to the LLC or (iii) an Investment Company Event with respect to the LLC.

A “Tax Event” means the receipt by the Bank of an opinion of a nationally recognized law firm or other tax adviser in the United States, Luxembourg or Italy, as appropriate, experienced in such matters, to the effect that, as a result of (i) any amendment to, or clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations promulgated thereunder) of the United States, Luxembourg or Italy or any political subdivision or taxing authority thereof or therein affecting taxation, (ii) any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any

notice or announcement of intent to adopt such procedures or regulations) (an “Administrative Action”) or (iii) any amendment to, clarification of, or change in the official position or the interpretation of such Administrative Action or any interpretation or pronouncement that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental, administrative or regulatory authority or body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification or change is effective, or which pronouncement or decision is announced, on or after the date of issuance of the Trust Preferred Securities and the LLC Preferred Securities as a result of which, there is more than an insubstantial risk that (A) if a payment in respect of the Trust Preferred Securities or the LLC Class B Preferred Securities were to be due (whether or not the same is in fact then due) on or before the next Dividend Payment Date the Trust or the LLC, as the case may be, would be unable to make such payment without having to pay Additional Amounts, or (B) if a payment in respect of the Foreign Branch Deposit were to be due (whether or not the same is in fact then due) on or before the next interest payment date in respect of the Foreign Branch Deposit, the Branch would be unable to make such payment without having to pay Additional Amounts, or (C) if a payment under the Guarantee Agreement were to be due (whether or not the same is in fact then due) on or in respect of the next Dividend Payment Date, the Bank would be unable to make such payments without having to pay Additional Amounts, or (D) if the treatment of any of the Bank’s items of income, gain, loss deduction or expense, or the treatment of any item of income, gain, loss deduction or expense related to the Foreign Branch Deposit as reflected on the tax returns (including estimated returns) filed (or to be filed) by the Bank, will not be respected by a taxing authority, as a result of which, the Bank is or will be subject to more than a *de minimus* amount of additional taxes, duties or other governmental charges or civil liabilities; *provided, however*, that none of the foregoing events shall constitute a Tax Event if such event or events may be avoided by the Bank, Banco di Brescia, the Trust or the LLC taking reasonable measures under the circumstances.

An “Investment Company Event” means that the Bank shall have requested and received an opinion of a nationally recognized United States law firm experienced in such matters to the effect that there is more than an insubstantial risk that the Trust or the LLC is or will be considered an “investment company” within the meaning of the United States Investment Company Act of the 1940, as amended (the “1940 Act”), as a result of any judicial decision, any pronouncement or interpretation (irrespective of the manner made known), the adoption or amendment of any law, rule or regulation, any notice or announcement (including any notice or announcement of intent to adopt such rule or regulation) by any United States legislative body, court, governmental agency, or regulatory authority after the date hereof.

A “Capital Event” means the Bank is notified by the Bank of Italy to the effect that the LLC Class B Preferred Securities may not be included in the consolidated Tier 1 capital of the Group, unless such notification is the result of the reinvestment of the proceeds from the Foreign Branch Deposit in other Eligible Investments, in which case such event shall not constitute a “Capital Event.”

So long as any LLC Class B Preferred Securities are outstanding, neither the Bank nor any of its affiliates will be entitled to repurchase, redeem or otherwise acquire, or set apart funds for the repurchase, redemption or other acquisition of, any Parity Securities or Junior Securities, through a sinking fund or otherwise, unless and until (i) full Dividends on all LLC Class B Preferred Securities for the most recent preceding Dividend Period is paid or a sum sufficient for payment has been paid over to the Paying Agents for payment of such Dividends and (ii) the LLC has paid a Dividend on the LLC Class B Preferred Securities at the annual dividend rate for the then current Dividend Period or sufficient funds have been paid over to the Paying Agent for the payment of such Dividend. It is an obligation of the Bank to ensure that its affiliates observe the foregoing limitations.

Liquidation Preference.....

Trust Preferred Securities: liquidation amount of €1,000 per Trust Preferred Security.

LLC Class B Preferred Securities: liquidation amount of €1,000 per LLC Class B Preferred Security.

The Trust will only be dissolved, liquidated or wound-up in the limited circumstances described herein. In the event of any such voluntary or involuntary dissolution, liquidation, winding up or termination of the Trust, holders of the Trust Preferred Securities will be entitled to receive a corresponding number of the LLC Class B Preferred Securities with an equivalent aggregate liquidation amount.

So long as the LLC Class B Preferred Securities are outstanding, the LLC will only be dissolved, liquidated or wound-up with the prior approval of the Bank of Italy upon the occurrence of a Trigger Event. In the event of any such voluntary or involuntary dissolution, liquidation, termination or winding up of the LLC, holders of the LLC Class B Preferred Securities will, subject to certain limitations, be entitled to receive out of assets of the LLC available for distribution to security holders after satisfaction of liabilities of creditors in accordance with applicable law, liquidation distributions in the amount of the liquidation amount of €1,000 per LLC Class B Preferred Security, plus declared or deemed declared and unpaid Dividends thereon, if any, to the date of such liquidation, without any interest, it being understood that, in any such circumstance, the LLC will be entitled to make a prior liquidation distribution to the holder of the LLC Class A Preferred Securities in the amount of the Foreign Branch Deposit or any then remaining Eligible Investments.

It is anticipated that the LLC Class B Preferred Securities holders' claim in liquidation of the LLC, equal to the liquidation amount of €1,000 per LLC Class B Preferred Security, will be required to be satisfied under the terms of the Guarantee Agreement if at all. Since the Bank is not required to make any Guarantee Payment during the continuance of a No-Payment Event, it is quite possible that the Bank will not be required to pay any such amount to such holders at that time.

As long as any LLC Class B Preferred Securities are outstanding, if the Bank is dissolved, liquidated or wound-up, the LLC must be dissolved, liquidated or wound-up. As long as any Trust Preferred Securities are outstanding, if the Bank or the LLC is dissolved, liquidated or wound-up, the Trust must be dissolved, liquidated or wound-up. Under the terms of the LLC Agreement, and to the fullest extent permitted by law, the LLC shall not be dissolved until all claims under the Guarantee Agreement shall have been paid in full pursuant to the terms of the Guarantee Agreement.

Independent Director

The LLC Agreement will provide that, for as long as any LLC Class B Preferred Securities are outstanding, there will at all times be a member of the LLC Board (the "Independent Director") that is not also an officer, employee, director or affiliate of the Bank or any of its affiliates and who shall act exclusively on behalf of the holders of the LLC Class B Preferred Securities.

The Independent Director will at all times be obligated to act in the best interests of the holders of the LLC Class B Preferred Securities, a majority in interest of which will at all times be entitled to replace the Independent Director in their sole and absolute discretion.

So long as any LLC Class B Preferred Securities are outstanding, certain actions (the "Designated Actions") by the LLC must be approved by the Independent Director as well as by a majority of the entire LLC Board. The Designated Actions include (i) the authorization or issuance of Parity LLC Shares or any shares or other securities expressly or effectively designated as being senior to the LLC Class B Preferred Securities as to dividends or other distributions other than the LLC Class A Preferred Securities, (ii) the reinvestment of the Foreign Branch Deposit in other Eligible Investments or any amendment or modification of the LLC's investment guidelines, (iii) unless a No-Payment Event has occurred and is continuing, any payment of Dividends on any LLC Class A Preferred Securities or, in any other case, the payment of dividends or the making of distributions on Parity LLC Shares or Junior LLC Shares, (iv) redemption of Parity LLC Shares, Junior LLC Shares or LLC Class A Preferred Securities without the concurrent and permitted redemption of LLC Class B Preferred Securities, unless each rating agency then rating the LLC Class B Preferred Securities shall have informed the LLC in writing that the redemption or repurchase of such securities would not result in a reduction or withdrawal of the rating then assigned by such rating agency to the LLC Class B Preferred Securities, (v)

to the fullest extent permitted by law, any dissolution, liquidation or termination of the LLC that is not concurrent with the liquidation of the Bank, (vi) any material amendment or modification of the LLC Class B Preferred Securities, the Guarantee Agreement or the Foreign Branch Deposit (or any other security, contract obligation, agreement or instrument that is an asset of the LLC), (vii) the sale, transfer or other disposition by the Bank of the Trust Common Securities, the LLC Common Securities or the LLC Class A Preferred Securities other than to a wholly-owned subsidiary of the Bank, and (viii) any other action by the LLC or the Bank that could reasonably be expected to adversely affect the interests of the holders of the LLC Class B Preferred Securities in any material respect.

If the LLC Board fails to do so and to the extent permitted by law, the Independent Director will be entitled to take any and all such actions on behalf of the LLC in respect of the Foreign Branch Deposit, the Eligible Investments or any other right or remedy or course of action available to the LLC against the Bank, Banco di Brescia (including the Branch) or any other party; *provided, however*, that, unless required by law to do so, the Independent Director shall not take any action if otherwise directed by the Property Trustee as the holder of the LLC Class B Preferred Securities.

Voting Rights

Holders of the Trust Preferred Securities will not have any voting rights, except that the holders of a majority of the outstanding Trust Preferred Securities will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Property Trustee or to direct the exercise of any trust or power conferred upon the Property Trustee under the Trust Agreement, including the right to direct the Property Trustee, as holder of the LLC Class B Preferred Securities, to pursue any remedy available to such holders against the Bank under the Guarantee Agreement.

As the holder of the LLC Class A Preferred Securities, the Bank will not have any voting rights, except that it will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the holders of the LLC Class A Preferred Securities in respect of the Foreign Branch Deposit upon the occurrence of a Trigger Event or any other No-Payment Event.

The LLC Class B Preferred Securities will also be non-voting, except that a majority of the outstanding LLC Class B Preferred Securities shall have the right to replace the Independent Director at any time and for any reason.

With certain exceptions, the Guarantee Agreement may not be modified, except with the prior approval of the holders of not less than 66 2/3 per cent. of the aggregate liquidation amount of the outstanding Trust Preferred Securities (excluding any Trust Preferred Securities held by the Bank or any of its affiliates, with certain exceptions).

Foreign Branch Deposit	<p>Pursuant to a Deposit Agreement (the “Deposit Agreement”) to be entered into between the LLC and the Branch, the LLC will deposit the net proceeds from the issuance of the LLC Securities with the Branch upon terms that would be equivalent to a subordinated loan and will provide for (i) a maturity of 10 years, subject to prepayment; (ii) receipt of prior approval from the Bank of Italy prior to prepayment if prepayment occurs in the first 5 years of the deposit; (iii) monthly, quarterly or semi-annual interest payments; and (iv) prior satisfaction of all unsubordinated creditors in the event of the liquidation or winding-up of the Subsidiary.</p> <p>Upon the maturity or repayment thereof or as otherwise permitted in the Deposit Agreement, the LLC may invest the proceeds of the Foreign Branch Deposit in one or more Eligible Investments. “Eligible Investments” means one or more instruments issued by or deposited with the Bank or a wholly-owned subsidiary of the Bank or a branch or agency thereof or an obligation of the Italian government or an agency thereof; <i>provided, however</i>, that the LLC may not invest the proceeds of the Foreign Branch Deposit in any investment or investments unless the aggregate quarterly income generated therefrom, when combined with any other income available for that purpose, would be at least equal to the Dividends payable by the LLC on the LLC Securities, including the LLC Class B Preferred Securities for the relevant Dividend Period. The LLC shall observe the investment guidelines in connection with the reinvestment of the Foreign Branch Deposit in one or more Eligible Investments, including the requirement that each rating agency then rating the Trust Preferred Securities or the LLC Class B Preferred Securities then outstanding, if then rated, will have informed the Bank in writing that such reinvestment will not result in any downgrading of their then respective ratings.</p>
Services Agreement	<p>The LLC and the Trust will enter into the Services Agreement with the Bank. Under the Services Agreement, the Bank will be obligated, among other things, to provide legal, accounting, tax and other general support services, to maintain compliance with all pertinent U.S., U.K., Luxembourg and Italian local, state and federal laws, and to provide necessary administrative, record-keeping and secretarial services for the LLC and the Trust. As the holder of the LLC Common Securities and the Trust Common Securities, the Bank will pay all the fees and expenses of the LLC and the Trust. The Services Agreement may not be terminated so long as any of the LLC Securities or the Trust Securities remain outstanding.</p>
Governing Law	<p>The LLC Agreement, including the terms of the LLC Securities, and the Trust Agreement, including the terms of the Trust Preferred Securities, will be governed by the laws of the State of Delaware. The Subscription Agreement and the Agency Agreement will be governed by English law. The Guarantee Agreement and the Services Agreement will be governed by New York law. The Deposit Agreement will be governed by the laws of the Grand Duchy of Luxembourg.</p>
Listing	<p>Application has been made to the London Stock Exchange for the Trust Preferred Securities to be admitted to the Official List.</p>

Form of Trust Preferred Securities	The Trust Preferred Securities will be in bearer form and will initially be represented by a temporary global certificate (the “Temporary Global Certificate”) and will be deposited with the common depositary for Euroclear and Clearstream (the “Common Depositary”). The Temporary Global Certificate may be exchanged, not earlier than 40 days after the later of the commencement of the offering and the Closing Date (the “Exchange Date”), for interests in a permanent global certificate (the “Permanent Global Certificate” and together with the Temporary Global Certificate, the “Global Certificates”) or, under certain circumstances described under “Description of the Trust Preferred Securities – Book-Entry Only Issuance – Form and Denomination,” for definitive Trust Preferred Securities, upon certification of non-U.S. beneficial ownership in the manner required by applicable United States Treasury Department regulations. No payment will be made in respect of any beneficial interest in the Temporary Global Certificate after the Exchange Date. Beneficial interests in any Global Certificate will be evidenced by, and transfers thereof will be effected only through, records maintained by the participants in Euroclear and Clearstream.
Certain Covenants of the Bank	The Bank will agree, <i>inter alia</i> , that, for so long as any of the Trust Preferred Securities or the LLC Class B Preferred Securities are outstanding, it will procure that each of its Subsidiaries and affiliates observes the restrictions imposed on it by virtue of the Trust Agreement and/or the LLC Agreement. The LLC will agree, <i>inter alia</i> , that, for so long as any of the Trust Preferred Securities or the LLC Class B Preferred Securities are outstanding, it will not incur indebtedness for borrowed money or take any action that could reasonably be expected to cause an LLC Special Event to occur.
Use of Proceeds	All of the proceeds from the sale of the Trust Preferred Securities will be invested by the Trust in the LLC Class B Preferred Securities. The LLC will use the proceeds from the sale of the LLC Securities to make the Foreign Branch Deposit. The Branch intends to use the proceeds from the Foreign Branch Deposit for general corporate purposes.
Selling Restrictions	The Trust Preferred Securities will only be offered and sold in accordance with applicable securities laws and regulations. See “Subscription and Sale – Selling Restrictions.”
Ratings	The Trust Preferred Securities are expected to be assigned a rating of “baa1” by Moody’s Investors Services, Inc. and a rating of “A-” by Fitch IBCA.
Common Code Number	010880556
International Securities Identification Number (ISIN)	XS0108805564

Summary Financial Information of Banca Lombarda S.p.A.

The selected consolidated financial information set out below for the financial years ended 31 December 1997 and 31 December 1998 has been derived from Banca Lombarda's audited consolidated financial statements included elsewhere in this Offering Circular and should be read in conjunction with, and is qualified in its entirety by reference to, such financial statements. The 1998 consolidated financial statements have been audited by Arthur Andersen S.p.A., independent certified public accountants.

The consolidated financial statements dated 31 December 1997 of CAB Group have been reviewed by Arthur Andersen S.p.A. and on which they have issued their Report on 3 April 1998. The consolidated financial statements as of 31 December 1997 of the Banca San Paolo di Brescia S.p.A. Group were reviewed by other auditors who issued their report on 27 March 1998.

The object of the preparation of the pro-forma consolidated statements as of 31 December 1997 was to represent the effects on the consolidated results of the Group CAB Società per Azioni Banca San Paolo di Brescia S.p.A. of the Merger as if the Merger had taken effect from the beginning of the 1997 financial year. Such pro-forma financial information has been prepared for illustrative purposes only and because of its nature it may not give a true picture of the Group's financial position or results.

CAB and Banca San Paolo had no significant inter-group transactions and, therefore, the pro-forma financial statements were consolidated by aggregating the respective financial information relating to the two merged banks. See the "Attachment to the Financial Statements" on pages F-56 to F-71.

Arthur Andersen S.p.A.'s review of such pro-forma data consisted of verifying the reasonableness of the assumptions made in the preparation of the pro-forma consolidated financial data as well as the correctness of methodology used for the preparation of such statements.

Banca Lombarda's financial statements are prepared in accordance with Italian generally accepted accounting principles.

Save where otherwise indicated, all financial information contained in this Offering Circular is given on a consolidated basis.

	<i>Year ended 31 December 1997</i>	<i>Year ended 31 December 1998</i>
	<i>(millions of Lire except percentages)</i>	
Income Statement Data:		
Interest income and similar revenues	2,207,440	1,900,328
Interest expense and similar charges	(1,340,103)	(1,099,453)
Dividends and other revenues	13,354	9,380
Interest margin.....	880,691	810,255
Commission income	321,642	480,771
Commission expense	(47,473)	(55,286)
Profits (losses) on financial transactions.....	183,685	217,133
Other operating net income	82,878	107,238
Income from services	540,732	749,856
Net interest and other banking income	1,421,423	1,560,111
Administrative costs	(816,604)	(858,111)
Adjustments to tangible and intangible fixed assets	(95,074)	(105,045)
Operating margin.....	509,745	596,955
Provisions for risks and charges	(15,511)	(52,348)
Net adjustments to loans and provisions for guarantee and commitments.....	(156,644)	(135,582)
Net adjustments to financial fixed assets.....	(3,961)	847
Income from operating activities	333,629	409,872
Extraordinary income (charges) net.....	31,215	50,141
Change in reserve for general banking risks.....	(11,398)	(27,904)
Income before taxes	353,446	432,109
Income taxes	(172,569)	(206,704)
Minority interests.....	(2,975)	(6,656)
Net income.....	177,902	218,749
Net interest margin ⁽¹⁾	2.92%	2.52%
Employee cost.....	(496,017)	(485,026)

	As at 31 December 1997	As at 31 December 1998
	(millions of Lire except ratios, percentages and per share data)	
Balance Sheet Data:		
Total assets at the beginning of period.....	28,990,959	31,405,631
Total assets at the end of period.....	31,405,631	32,880,617
Average total assets during period.....	30,205,578	32,143,124
Non-performing loans after provisions.....	400,602	333,987
Total loans to customers	16,922,673	19,205,308
Shareholders' equity	1,788,383	1,948,369
Per Share Data:		
Net income per share ⁽²⁾	727	892
Cash dividend per share ⁽²⁾	385	550
Ratios:		
Return on average total assets ⁽³⁾	0.59%	0.68%
Return on shareholders equity ⁽⁴⁾	11.83%	14.49%
Shareholders' equity/total assets ⁽⁵⁾	5.69%	5.93%
Income from services/net interest and other banking income.....	38.04%	48.06%
Administrative costs/net interest and other banking income.....	57.45%	55.00%
Employee costs/net interest and other banking income.....	34.90%	31.09%
Non-performing loans after provisions/total loans.....	2.37%	1.74%
Risk ratios:		
Solvency ratio for regulatory purposes	—	9.57%
Total regulatory capital	—	1,855,527
Risk-weighted assets.....	—	19,696,621
Notes:		
(1) Net interest margin for any period represents total net interest income for such period divided by the average of total assets at the beginning and at the end of such period.		
(2) The number of shares outstanding was 244,600,403 as at 31 December 1997 and 245,179,640 as at 31 December 1998.		
(3) Return on average total asset for any period is determined by dividing net income for such period by the average of total assets at the beginning and at the end of such period.		
(4) Return on shareholders' equity (excluding net income for the year and the accrual to the reserve for general banking risks) is determined by dividing net income for such period (including changes in reserve for general banking risks) by shareholders' equity.		
(5) Shareholders' equity (including net income for the year) divided by total assets at the end of such period.		

INVESTMENT CONSIDERATIONS

The following is a summary of certain investment considerations related to the offering about which prospective holders of the Trust Preferred Securities should be aware, but it is not intended to be exhaustive and prospective holders of Trust Preferred Securities should read the detailed information set out elsewhere in this Offering Circular, including Annexes A and B hereto.

Overall Importance of the Banca Lombarda Group's Financial Condition

If the Banca Lombarda Group's financial condition were to deteriorate, the LLC and the holders of the Trust Preferred Securities and the LLC Class B Preferred Securities could suffer direct and materially adverse consequences, including suspension of the payment of noncumulative Dividends on the Trust Preferred Securities and the LLC Class B Preferred Securities and, if a liquidation, dissolution or winding up of Banca Lombarda were to occur, loss by holders of the Trust Preferred Securities and the LLC Class B Preferred Securities of all or part of their investment. In addition, although the Bank is required to procure that its subsidiaries and affiliates observe certain restrictions described herein and may be required to make Guarantee Payments in the event that they fail to do so, investors will have no right to take action against such subsidiaries or affiliates in the event of their failure to observe such restrictions and there can be no assurance that the Bank will have Distributable Profits available for the purpose of making any required payments. See "Description of the Trust Preferred Securities," "Description of the LLC Securities," and "Description of the Guarantee Agreement".

Considerations Relating to the Acquisition of Banca Regionale Europea S.p.A.

Although Banca Lombarda has entered into an agreement to acquire 56.7 per cent. of the share capital of BRE Banca, there can be no assurance that this acquisition will be consummated. The completion of such acquisition is not a condition precedent to the issuance of the Trust Preferred Securities. If consummated, the acquisition of BRE Banca will have a material impact on the results of operations and business operations of Banca Lombarda. Prospective investors in the Trust Preferred Securities are, therefore, advised to review the information contained in Annexes A and B carefully. Although Banca Lombarda did not prepare and has not had the opportunity to verify such information, it is not aware of any facts that would make such information false or misleading in any material respect.

Subordinated Nature of the Guarantee Agreement

Subject to applicable law, the obligations of Banca Lombarda in respect of Guarantee Payments under the Guarantee Agreement constitute unsecured obligations of Banca Lombarda and will rank subordinate and junior to its indebtedness for money borrowed (other than any guarantee or contractual right expressed to rank *pari passu* with the Guarantee Agreement). Banca Lombarda will not be required to make any payment of Dividends under the Guarantee Agreement to the extent that the Board of either the LLC or the Trust (as the case may be) is not authorised to declare such Dividends or such Dividends have not otherwise been declared or deemed to have been declared or if Banca Lombarda does not have Distributable Profits available for the payment thereof.

Limitations on Ability to Receive Distributions from the Foreign Branch Deposit

The LLC will deposit the net proceeds from the issuance of the LLC Securities with the Branch upon terms that are equivalent to a subordinated loan. It is anticipated that interest payments made by the Branch on the Foreign Branch Deposit will be used by the LLC to make Dividend payments on the LLC Securities, including the LLC Class B Preferred Securities, and that Dividend payments made by the LLC on the LLC Class B Preferred Securities will in turn be used by the Trust to make Dividend payments on the Trust Securities, including the Trust Preferred Securities. Accordingly, payments of Dividends on the Trust Preferred Securities will be dependent on interest payments being made by the Branch on the Foreign Branch Deposit unless paid by Banca Lombarda under the Guarantee Agreement. However, if Banca Lombarda is unable to make a payment under the Guarantee Agreement due to the occurrence of a No Payment Event, any amount paid by the Branch to the LLC in respect of the Foreign Branch Deposit is likely

to be paid to Banca Lombarda as the holder of the LLC Class A Preferred Securities and will not be paid to the holders of the LLC Class B Preferred Securities or the Trust Preferred Securities.

No Obligation to Pay Dividends; Dividends Not Cumulative

The declaration (or deemed declaration) of Dividends on the LLC Class B Preferred Securities (and, accordingly, the payment of Dividends on the Trust Preferred Securities) will not be required under the LLC Agreement (and, accordingly, no payment with respect to Dividends will be due under the Guarantee Agreement) unless such Dividends may lawfully be declared and the other conditions precedent to the declaration thereof have been met.

Dividends on the Trust Preferred Securities and the LLC Class B Preferred Securities are not cumulative. Dividends on the Trust Preferred Securities are only payable with respect to any Dividend Period if, and to the extent that the Dividends for the corresponding Dividend Period are declared (or deemed declared) on the LLC Class B Preferred Securities. Consequently, if, for any reason, Dividends on the LLC Class B Preferred Securities are not declared (or deemed declared) for any Dividend Period, the holders of the LLC Class B Preferred Securities (and the holders of the Trust Preferred Securities) would not be entitled to recover such Dividends, whether or not funds are or subsequently become available to the LLC or the Trust, as the case may be, or Dividends on the LLC Class B Preferred Securities (and the Trust Preferred Securities) are declared (or deemed declared) in any future Dividend Period. In particular, Dividends will not be paid on the LLC Class B Preferred Securities or the Trust Preferred Securities if a No-Payment Event has occurred and is continuing.

Consequences of Redemption

Redemption upon Occurrence of an LLC Special Event

If an LLC Special Event occurs, the LLC Class B Preferred Securities (and, consequently, the Trust Preferred Securities) will be redeemable on any Dividend Payment Date at the option of the LLC, subject to the prior approval of Banca Lombarda and, if then required, the Bank of Italy, in whole but not in part, at the Redemption Price. See “Description of the Trust Preferred Securities – Redemption.”

Liquidation of the Trust Upon Occurrence of a Trust Special Event

If either a Tax Event or an Investment Company Event occurs, in each case, solely with respect to the Trust, then, at the option of the Regular Trustees of the Trust, the Trust may be dissolved and liquidated. Upon a liquidation of the Trust, each holder of the Trust Preferred Securities will be entitled to receive as its liquidation distribution a corresponding number of the LLC Class B Preferred Securities with an equivalent aggregate liquidation amount. Upon such distribution, the LLC Class B Preferred Securities may not be listed on the London Stock Exchange or any other stock exchange, and the holders thereof, or their nominees, could become subject to Form K-1 reporting requirements under the Internal Revenue Code of 1986, as amended (the “Code”). Therefore, the LLC Class B Preferred Securities distributed upon the liquidation of the Trust may trade at a discount to the price of the Trust Preferred Securities prior to such liquidation.

If the LLC Class B Preferred Securities are distributed to holders of the Trust Preferred Securities, the LLC and Banca Lombarda will use their reasonable efforts to cause the listing of the LLC Class B Preferred Securities on the London Stock Exchange. The LLC Class B Preferred Securities presently are not listed on such exchange or any other securities exchange. See “Description of the Trust Preferred Securities – Redemption.”

No Voting Rights

Holders of the Trust Preferred Securities will not have any voting rights, except as described under “Description of the Trust Preferred Securities – Voting Rights.” The LLC Class B Preferred Securities will be non-voting, except that the holders of the LLC Class B Preferred Securities will have the right to replace the Independent Director at any time in their sole and absolute discretion.

Considerations Relating to Ranking

In the event of any voluntary or involuntary liquidation, dissolution, winding up or termination of the Trust, and with respect to Dividends and other distributions, the Trust Preferred Securities will rank *pari passu* with the Trust Common Securities except with respect to any Guarantee Payment (if any), which will only be for the benefit of the holders of the Trust Preferred Securities. In the event of any voluntary or involuntary liquidation, dissolution, winding up or termination of the LLC, the LLC Class A Preferred Securities will rank senior to the LLC Class B Preferred Securities, except as otherwise described herein. See “– Liquidation amount”. Accordingly, it is anticipated that the LLC Class B Preferred Securities holders’ claim in liquidation of the LLC, equal to the liquidation amount of €1,000 per LLC Class B Preferred Security, may be required to be satisfied (if at all) under the terms of the Guarantee Agreement.

As long as any LLC Class B Preferred Securities are outstanding, if Banca Lombarda is dissolved, liquidated or wound-up, the LLC must be dissolved, liquidated or wound-up. As long as any Trust Preferred Securities are outstanding, if Banca Lombarda or the LLC is dissolved, liquidated or wound-up, the Trust must be dissolved, liquidated or wound-up.

Absence of Prior Public Market

The Trust Preferred Securities are a new issue of securities. Prior to this offering, there has been no public market for the Trust Preferred Securities. Although the Trust has applied to the London Stock Exchange to have the Trust Preferred Securities admitted to the Official List, there can be no assurance that an active public market for the Trust Preferred Securities will develop, and if such a market were to develop, the Managers are under no obligation to maintain such a market. The liquidity and the market prices for the Trust Preferred Securities can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Banca Lombarda Group and other factors that generally influence the market prices of securities. Such fluctuations may significantly affect liquidity and market prices for the Trust Preferred Securities.

Limited Scope of the Ratings

It is expected that the Trust Preferred Securities will be assigned a rating of “baal” by Moody’s Investors Services, Inc. and a rating of “A-” by Fitch IBCA. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. Each rating should be evaluated independently of any other rating. There can be no assurance that the rating of the Trust Preferred Securities and/or the LLC Class B Preferred Securities will remain for any given period of time or that the rating will not be lowered or withdrawn entirely if, in the judgment of such agency, circumstances in the future so warrant.

Dependence upon the Economy of Northern Italy

Nearly all of the Banca Lombarda Group’s operations and customers are located in Northern Italy. Accordingly, the Banca Lombarda Group’s ability to obtain repayment of its loans and its financial condition and results of operations are dependent to a significant extent on economic conditions prevailing in that region. There can be no assurance that future developments in the economy of Northern Italy or Italy as a whole will not impair the Banca Lombarda Group or its business, financial condition or results of operations.

Competition in the Italian Banking Industry

Banca Lombarda and its subsidiaries face significant competition from major Italian and non-Italian banking and financial institutions. Many of these competitors are larger and better capitalised than Banca Lombarda. Competitors of Banca Lombarda and its subsidiaries include commercial banks, savings banks, credit co-operatives, mortgage banks, insurance companies, finance companies, investment banks, securities brokers and other companies providing financial services.

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 and changes in certain Italian tax and banking legislation have encouraged consolidation in the Italian banking system which is likely to result in a further increase in the number of larger and more competitive institutions. Several large Italian banks have recently merged. Management believes that the consolidation in the Italian banking industry will result in a small number of major financial intermediaries offering a wide range of banking and non-banking services which will compete with major European and international banks, as well as a number of “niche banks” focusing on their respective markets. No assurance can be given that the Banca Lombarda Group will be able to successfully execute its strategy in one or more segments of the markets in which it operates in light of these industry developments.

The introduction of the euro as a common European currency has heightened competitive pressures in Italy, particularly in the bond markets, wholesale banking, and payment systems.

Foreign Exchange Risks

An investment in the Trust Preferred Securities entails significant risks not associated with a similar investment in a security denominated and payable in the currency of the country in which the purchaser is resident or the currency in which the purchaser conducts its business or activities or maintains its account if denominated in a currency other than euro (“non-euro home currency”). Such risks include, without limitation, the possibility of significant changes in rates of exchange between the non-euro home currency and the euro.

RECENT DEVELOPMENTS

Acquisition of Banca Cassa di Risparmio di Tortona S.p.A.

On 30 April 1999, Banca Lombarda acquired 60 per cent. of the share capital of Banca Cassa di Risparmio di Tortona S.p.A. ("CR Tortona") for approximately Lire 281 billion. CR Tortona, which was established in 1911, has a presence in the provinces of Alessandria, Pavia and Turin with a total of 29 branches. Banca Lombarda intends that CR Tortona will retain its legal autonomy and believes that CR Tortona's network of branches is complementary to that of the Banca Lombarda Group. See also "– Interim Financial Results" below.

Interim Financial Results

On 29 September 1999, Banca Lombarda's consolidated half year accounts for the six months ended 30 June 1999 were examined by the Board of Directors of Banca Lombarda. The consolidated half year accounts were prepared in accordance with Italian generally accepted accounting principles, which differ in certain significant respects from the accounting principles used in many other countries.

The selected consolidated financial information set out below for the six month period ended 30 June 1999 has been extracted without material adjustment from Banca Lombarda's audited half year accounts, and reflect the results of operations of CR Tortona since the date of its acquisition. The selected consolidated financial information set out below for the six month period ended 30 June 1998 has been extracted without material adjustment from the pro-forma financial accounts of the former CAB and Banca San Paolo (rather than being extracted from the Bank's pro-forma interim accounts for the six months ended 30 June 1998) and is therefore stated on a basis that is substantially consistent with the financial data set out elsewhere herein for 1998 as a whole. However, the 1998 half year accounts are not fully comparable with the 1999 half year accounts, since the latter reflect the acquisition of CR Tortona while the former do not.

	<i>Half year Accounts 30 June 1998 (unaudited)⁽¹⁾</i>	<i>Half year Accounts 30 June 1999 (audited)</i>
	<i>(millions of Lire except percentages)</i>	
Income Statement Data:		
Interest income and similar revenues	993,108	750,725
Interest expense and similar charges	(583,617)	(363,319)
Dividends and other revenues	8,678	17,152
Interest margin	418,169	404,558
Commission income	236,209	271,694
Commission expense	(25,600)	(30,665)
Profits (losses) on financial transactions	132,514	87,428
Other operating net income	54,735	46,087
Income from services	397,858	374,544
Net interest and other banking income	816,027	779,102
Administrative costs	(412,337)	(439,713)
Adjustments to tangible and intangible fixed assets	(48,696)	(57,865)
Operating margin	354,994	281,524
Net adjustments to loans and provisions for guarantee and commitments	(87,726)	(62,368)
Net adjustments to financial fixed assets	(296)	453
Income from operating activities	266,972	219,609
Extraordinary income (charges) net	47,568	32,993
Change in reserve for general banking risks	(17,000)	(2,100)
Income before taxes	297,540	250,502
Income taxes	(125,360)	(103,946)
Minority interests	(3,051)	(5,382)
Net income	169,129	141,174
Net interest margin ⁽²⁾	1.33%	1.21%
Employee cost	(240,362)	(251,285)

	<i>Half year Accounts 30 June 1998</i>	<i>Half year Accounts 30 June 1999</i>
	<i>(millions of Lire except ratios, percentages and per share data)</i>	
Balance Sheet Data:		
Total assets at the beginning of period.....	31,405,631	32,880,617
Total assets at the end of period.....	31,625,541	34,026,790
Average total assets during period.....	31,515,586	33,453,704
Non-performing loans after provisions.....	363,514	354,177
Total loans to customers	17,340,635	20,859,744
Shareholders' equity	1,887,599	1,997,548
Per Share Data:		
Net income per share ⁽³⁾	690	562
Cash dividend per share ⁽³⁾⁽⁴⁾	N.A	N.A.
Ratios:		
Return on average total assets ⁽⁵⁾	0.54%	0.42%
Return on shareholders equity ⁽⁶⁾	10.94%	7.73%
Shareholders' equity/total assets ⁽⁷⁾	5.97%	5.87%
Income from services/net interest and other banking income.....	48.76%	48.07%
Administrative costs/net interest and other banking income.....	50.53%	56.44%
Employee costs/net interest and other banking income.....	29.46%	32.25%
Non-performing loans after provisions/total loans.....	2.10%	1.70%
Risk ratios:		
Solvency ratio for regulatory purposes	11.54%	10.17%
Total regulatory capital	1,892,000	2,133,013
Risk-weighted assets.....	16,400,000	20,975,746

Notes:

- (1) The 1998 half year accounts include the data of the former CAB S.p.A. and Banca San Paolo which merged on 31 December 1998 with retroactive fiscal and accounting effect to 1 January 1998. Intercompany transactions have been eliminated.
- (2) Net interest margin for any period represents total net interest income for such period divided by the average of total assets at the beginning and at the end of such period.
- (3) The number of shares outstanding was 245,179,640 as at 30 June 1998 and 251,059,500 as at 30 June 1999.
- (4) Not available at 30 June 1998 and 30 June 1999, as the shareholders meetings did not approve cash dividend.
- (5) Return on average total assets for any period is determined by dividing net income for such period by the average of total assets at the beginning and at the end of such period.
- (6) Return on shareholders' equity (excluding net income for the year and the accrual to the reserve for general banking risks) is determined by dividing net income for such period (including changes in reserve for general banking risks) by shareholders' equity.
- (7) Shareholders' equity (including net income for the year) divided by total assets at the end of such period.

As indicated above, the 1999 half year accounts reflect the results of CR Tortona since the date of the acquisition, while the 1998 half year accounts do not. However, since the acquisition occurred in April 1999, management does not believe this acquisition had a material impact on the 1998 half year accounts shown above. Pro-forma 1998 half and full year accounts have also been prepared on the basis that CR Tortona had been acquired at that time and made publicly available by the Bank; such accounts are set out elsewhere in this Offering Circular for the purposes of comparison with the 1998 half and full year accounts shown above and elsewhere herein.

Acquisition of BRE Banca

On 15 December 1999, Banca Lombarda entered into an agreement to acquire 56.7 per cent. of the share capital of BRE Banca, a bank established in Italy on 23 December, 1994 and based in the northwest of Italy, for approximately Lire 2.7 trillion from Fondazione Cassa di Risparmio di Cuneo and Fondazione Banca del

Monte di Lombardia, two banking foundations holding 58.1 per cent. and 36.5 per cent. respectively of BRE Banca. Subject to the terms of such agreement, the acquisition is expected to be completed in April 2000. Under the terms of such agreement, Banca Lombarda has granted the foundations an option to sell all or part of their remaining shareholdings in BRE Banca to Banca Lombarda for an aggregate purchase price of Lire 1,328 trillion within five years.

BRE Banca was the 44th largest Italian bank in terms of total assets as at the end of December 1998. It was established in 1994 following the merger of Cassa di Risparmio di Cuneo (CRC), a savings bank based in the province of Cuneo, south of Turin, and Banca del Monte di Lombardia (BML), a commercial bank based in the central northern Italian provinces of Milan and Pavia.

BRE Banca has a network of 236 branches located in the north-western part of Italy. It is primarily a short-term credit institution, providing most of the services of a retail bank, as well as securities trading, custody services, fund management and foreign currency dealing. Through its subsidiaries, BRE Banca is also active in factoring, leasing, consumer credit and insurance brokerage.

The directors of BRE Banca are Mario Cera (Chairman), Antonio Liserre (Vice Chairman), Piero Bertolotto (Managing Director), Ermanno Beltramo, Ruggiero Cafari Panico, Luigi Carosso, Pietro Locatelli, Enrico Lusso, Ferdinando Marengo, Antonio Marinoni, Ezio Pepino and Maria Teresa Ragni. Ezio Pepino is also a director of SILF S.r.l. All the other directors are in the legal, medical or other professions and do not perform any activities outside BRE Banca which are significant with respect to BRE Banca and its subsidiaries.

The combination of the Banca Lombarda Group and BRE Banca is expected to create one of the largest regional banking groups in Italy with more than 700 domestic branches. If consummated, the acquisition of this shareholding in BRE Banca is expected to have a material impact on Banca Lombarda's results of operations and size. See Annexes A and B.

DESCRIPTION OF BUSINESS OF BANCA LOMBARDA S.p.A.

History

Banca Lombarda S.p.A. (“Banca Lombarda”) is the public parent company of the banking group (the “Banca Lombarda Group”) created by the merger (the “Merger”) of CAB S.p.A. (“CAB”) and Banca San Paolo di Brescia S.p.A. (“Banca San Paolo”).

CAB was founded on 23 May 1883 in Italy with the aim of supporting agriculture in the province of Brescia and developed, through a combination of organic growth and acquisitions, 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. As at 31 December 1997, CAB (together with its banking subsidiaries) had a total of 241 branches.

Banca San Paolo was incorporated in 1888 in Italy as a limited liability co-operative company (*Società Anonima Cooperativa*) under the name Società Anonima Cooperativa Cassa di Risparmio S. Paolo by members of leading Catholic families in Brescia to serve the economic, civic and moral development of the community. Banca San Paolo continued as a community bank until its conversion into a joint-stock company (*Società per Azioni*) under the laws of the Republic of Italy in 1928, which marked the beginning of the first phase of significant expansion of Banca Lombarda’s network of branches, through the acquisition of a number of small banks in the Brescia province. As at 31 December 1997, Banca San Paolo (together with its subsidiaries) had a total of 188 branches.

On 13 and 14 November 1998, the respective Shareholders’ meetings of Banca San Paolo and CAB approved the Merger, to be achieved by the incorporation of Banca San Paolo into CAB. On 31 December 1998, the Merger was completed with CAB changing its name to Banca Lombarda S.p.A.

Pursuant to Article 2504-bis of the Italian Civil Code, on 31 December 1998 all of the rights and liabilities of Banca San Paolo and CAB automatically became assets and liabilities of Banca Lombarda by operation of law, a process recognised under Italian law as “universal succession”.

The third party approvals required in relation to the Merger included (a) the approval of the respective shareholders of Banca San Paolo and CAB under Article 2502 of the Italian Civil Code, (b) the approval of the Italian Court under Article 2502-bis of the Italian Civil Code, (c) the approval of the Bank of Italy, and (d) the approval of *Autorità Garante della Concorrenza e del Mercato*. These approvals were obtained prior to the consummation of the Merger.

In December 1998, Banca Lombarda incorporated a new operating subsidiary, Banco di Brescia San Paolo CAB S.p.A. (“Banco di Brescia”) with an initial capital of Lire 12.5 billion into which its commercial banking activities were spun off on 1 January 1999. Banca Lombarda transferred to Banco di Brescia the vast majority of combined branch network of Banca San Paolo di Brescia and CAB, consisting of 384 branches and including the commercial activities and real estate connected to those branches. The value of all the assets transferred was approximately Lire 800 billion. In return for the transfer of the branch network, Banca Lombarda received new shares in Banco di Brescia with a nominal value of Lire 800 billion. Banco di Brescia is a wholly-owned subsidiary of Banca Lombarda.

As part of the same process of rationalisation, in January 1999, Banca Lombarda also transferred 11 branches formerly operating in the Genova region under the CAB brand to its subsidiary Banca di Genova e San Giorgio S.p.A. in return for new shares. As a result, Banca Lombarda’s percentage shareholding in Banca di Genova e San Giorgio S.p.A. increased from 71.4 per cent. to 80.3 per cent.

Overview

On 4 January 1999, Banca Lombarda was first quoted on the main market of the Milan Stock Exchange. As at 30 June 1999, Banca Lombarda had approximately 30,000 shareholders and a market capitalisation of approximately Lire 5,800 billion.

The objectives of the Banca Lombarda Group are to strengthen its competitive position in its traditional areas of activity, consolidating the role of retail banks in the Lombardy economic region and at the same

time, developing activities in other geographic areas, while seeking to provide its customers with high quality services and products. Besides Banco di Brescia, other directly controlled retail banking subsidiaries of Banca Lombarda include Banca di Valle Camonica S.p.A., Banca Genova e San Giorgio S.p.A. and Cassa di Risparmio di Tortona S.p.A.; Banca Lombarda also holds 46.32 per cent. of the shares of Banca di Valle d'Aosta S.p.A. Banca Lombarda also has consolidated subsidiaries carrying out fund management, fiduciary management, leasing, property management and warehousing activities and wholly owns Banca Lombarda International S.A., a bank incorporated in Luxembourg. See "Subsidiaries and Equity Investments" below.

In terms of branch network size, the Banca Lombarda Group is the largest banking group in the province of Brescia, having a market share of approximately 40 per cent. as at 30 June 1999 and the third largest banking group in Lombardy, having a market share of approximately 9 per cent. as at 30 June 1999. With consolidated total assets as at 30 June 1999 of Lire 34,027 billion, The Banca Lombarda Group was the 19th largest Italian banking group according to 1998 Bank of Italy statistics. As at 30 June 1999, the consolidated total assets of the Banca Lombarda Group amounted to Lire 34,027 billion.

The table below sets out Banca Lombarda Group's network of branches as at 30 June 1999:

<i>Regions</i>	<i>Branches</i>
Northern Italy	
Lombardy	
Brescia	223
Other	106
	<hr/>
	329
Piedmont	31
Tuscany	1
Liguria	18
Trentino – Alto Adige	2
Veneto	22
Friuli – Venezia Giulia	12
Central Italy	
Emilia Romagna	6
Lazio	54
Luxembourg	1
	<hr/>
Total	476
	<hr/>

As at 30 June 1999 Banca Lombarda had total consolidated assets of Lire 34,027 billion and for the six months ended 30 June 1999 consolidated net interest and other banking income was Lire 779,1 billion and consolidated net income after taxes was Lire 141,2 billion.

Ownership Structure

Banca Lombarda has a broad shareholder base and as at 30 June 1999 had approximately 30,000 shareholders. 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.

Prior to the Merger, each of CAB and Banca San Paolo was controlled by a shareholder group pursuant to a separate agreement in relation to each bank. After the Merger, on 4 May 1999, a new syndicate agreement was signed by certain of Banca Lombarda shareholders. The agreement, which will expire on 31 December 2001, contains pre-emption rights in favour of the syndicate members and requires syndicate members to vote in the same way in extraordinary shareholders meetings. The syndicate group has 336 members and controls 47.5 per cent. of Banca Lombarda. The total stake controlled by syndicate members (including shares owned outside the syndicate agreement) is 55.1 per cent.

The table below sets out details of the ten largest beneficial shareholders of Banca Lombarda as at 30 June 1999:

<i>Shareholders</i>	<i>Equity shares (per cent)</i>
Solofid S.p.A. ⁽¹⁾	3.22
Società Cattolica di Assicurazione S.p.A.	2.594
Radici Partecipazioni.....	2.575
Spafid S.p.A. ⁽¹⁾	2.458
Opera per l'Educazione Cristiana.....	2.399
Serfis S.p.A.	2.270
Compagnia Bresciana Investimenti S.p.A.	1.956
Sorlini Luciano	1.860
Lancellotti Agnese.....	1.733
Gruppo Mittel (Mittel S.p.A. and Mittel Generale Investimenti S.p.A.)	1.760

Note:

(1) Solofid S.p.A. and Spafid S.p.A. are fiduciary management companies holding shares on behalf of a number of beneficiaries. No single beneficiary has a holding in excess of 2 per cent. of the issued equity share capital of Banca Lombarda.

Subsidiaries and Equity Investments

The following table sets out the subsidiaries and principal equity investments of Banca Lombarda, categorised by the nature of the business conducted by each subsidiaries:

<i>Traditional Banking and Brokerage Services</i>	<i>Financial Services</i>	<i>Asset Management</i>	<i>Auxilliary Services</i>	<i>Insurance</i>
Banco di Brescia S.p.A.	SBS Leasing S.p.A.	Capitalgest S.p.A.	SBIM S.p.A.	Prime Augusta Vita
Banca di Valle Camonica S.p.A.	CBI Factor S.p.A.	Unigest S.p.A.	SOLIMM S.p.A.	
Banca di Genova e San Giorgio S.p.A.		Sifru S.p.A.	Borghetto S.p.A. Magazzini Generali	
Cassa di Risparmio di Tortona S.p.A.		Solofid S.p.A.		
Banca di Valle d'Aosta S.p.A.		CAB Lux Sicav		
Banca Lombarda International S.A.				

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

Banco di Brescia S.p.A.

Banco di Brescia S.p.A. was incorporated at the end of 1998 and conducts the Banca Lombarda Group's principal commercial banking activities. See "History" above. The net proceeds of the issuance of the Trust Preferred Securities will initially be deposited with the Luxembourg branch of Banco di Brescia, S.p.A. See "Summary Terms".

Banca di Valle Camonica S.p.A.

Since its acquisition in 1963, Banca di Valle Camonica S.p.A. has continued to operate under its own name as a retail bank in the Lombardy region. It is 81.3 per cent. owned by Banca Lombarda. As at 31 December 1998, it had total assets of Lire 2,107 billion and net income for the year then ended was Lire 10.6 billion.

Banca di Genova e San Giorgio S.p.A.

Banca di Genova e San Giorgio S.p.A. was incorporated in 1987 and has continued to operate under its own name as a retail bank in the Liguria region. It is 80.3 per cent. owned by Banca Lombarda (see "History" above). As at 31 December 1998 it had total assets of Lire 335 billion and net income for the year then ended was Lire 6.75 billion.

Cassa di Risparmio di Tortona

Cassa di Risparmio di Tortona was incorporated in 1991 and has continued to operate under its own name as a retail bank in the Piedmont region. It is 60 per cent. owned by Banca Lombarda. As at 30 June 1999, it had total assets of Lire 1,485 billion and net income of Lire 3,726 million.

Banca Lombarda International S.A.

Banca Lombarda International S.A. was incorporated in Luxembourg on 30 November 1997 and is 84.15 per cent. owned by Banca Lombarda, 14.85 per cent. owned by Banco di Brescia S.p.A. and 1 per cent. owned by Banca di Genova e San Giorgio. As at 31 December 1998 it had total assets of Lire 509.5 billion and net income for the 13 months ended 31 December 1998 was Lire 1.19 billion.

Capitalgest S.p.A.

Capitalgest S.p.A. is authorised by the Bank of Italy to conduct asset management activity. It is 100 per cent. owned by Banca Lombarda. The total assets managed by or on behalf of Capitalgest was Lire 6,199 billion at 31 December 1998 (compared to Lire 2,287 billion at 31 December 1997). In 1999 Capitalgest S.p.A. merged with Unigest S.p.A., a Group company fully held by Banca Lombarda operating in investment fund management: the total assets managed by or on behalf of Unigest was Lire 4,374 billion at 31 December 1998 (compared to Lire 2,145 billion at 31 December 1997).

Sifru Società Fiduciaria S.p.A.

Sifru Società Fiduciaria S.p.A. is 100 per cent. owned by Banca Lombarda. It is engaged in fiduciary management of assets (investment on a non-disclosed basis) for its customers including acting as nominee for the holding of customers' investments. Funds under management as at 31 December 1998 were Lire 365 billion and net income for 1998 was Lire 697 million. In 1999 Sifru Società Fiduciaria S.p.A. merged with Solofid S.p.A. wholly owned by Banca Lombarda and engaged in fiduciary management (investment on a non-disclosed basis) for its customers including acting as nominee for the holding of customers' investments. Fiduciary assets under management of Solofid S.p.A. at 31 December 1998 amounted to Lire 388 billion and the net income for the year then ended was Lire 58 million. After the merger, Sifru Società Fiduciaria S.p.A. changed its name in Solofid S.p.A.

Sifru Gestioni Fiduciaria SIM

Sifru Gestioni Fiduciaria SIM is wholly owned by Sifru Società Fiduciaria S.p.A., and is also engaged in the fiduciary management of customers' investments. Funds under management as at 31 December 1998 were Lire 212 billion and net income for the year then ended was Lire 1,095 million.

SBS Leasing

SBS Leasing is 98 per cent. owned by Banca Lombarda and conducts leasing business. As at 31 December 1998 total assets amounted to Lire 1,253 billion and the net income for the year then ended was Lire 12.3 billion.

CBI Factor

CBI Factor conducts a factoring business and as at 23 December 1999 is 78.19 per cent. owned by Banca Lombarda Group (1.19 per cent. owned by Banca di Valle Camonica). As at 31 December 1998 total assets amounted to Lire 1,532 billion and the net income for the 1998 was Lire 5 billion.

Società Bresciana Immobiliare – Mobiliare SBIM S.p.A.

Società Bresciana Immobiliare – Mobiliare SBIM S.p.A. is the Banca Lombarda Group's property management company and is wholly owned by Banca Lombarda. It has responsibility for the construction of branches and the Banca Lombarda Group's central services centre. As at 31 December 1998, it had total assets of Lire 26.3 billion and for the year then ended it recorded a loss of Lire 224 million.

Solimm S.p.A.

Solimm S.p.A.'s purpose is the realisation of collateral of non-performing customers of the Banca Lombarda Group. It is 98 per cent. owned by Banca Lombarda and 2 per cent. owned by Banca di Genova e San Giorgio S.p.A. As at 31 December 1998 it had total assets of Lire 26.7 billion and net income for the year then ended was Lire 99.5 million.

S.p.A. Borghetto Magazzini Generali e Frigoriferi di Brescia

S.p.A. Borghetto Magazzini Generali e Frigoriferi di Brescia is engaged in the management and development of free and bonded warehouses. It is 99.99 per cent. owned by Banca Lombarda. As at 31 December 1998 it had total assets of Lire 9.6 billion and recorded a net loss for the year of Lire 296 million.

Majority Equity Investments

Banca di Valle d'Aosta S.p.A.

Since its incorporation in 1990 Banca di Valle d'Aosta S.p.A. has operated in the Valle d'Aosta region as a local retail bank. It is 46.32 per cent. owned by Banca Lombarda. As at 31 December 1998 total assets amounted to Lire 314 billion and the net income for the year then ended was Lire 397 million.

Prime Augusta Vita

Prime Augusta Vita is a life insurance company in which Banca Lombarda has a 20 per cent. shareholding (see "Other Activities – Insurance"). The net income for the year ended 31 December 1998 amounted to Lire 12.6 billion and the technical reserves as at 31 December 1998 were 2,988 billion.

Equity Investments

Banca Intesa

As at 31 December 1998, Banca Lombarda owned 74,029,195 shares in Banca Intesa S.p.A. ("Banca Intesa") with a book value of Lire 230.5 billion. Following a previously agreed share swap, at the end of March 1999 CAB's 10 per cent. shareholding in Cassa di Risparmio di Parma e Piacenza S.p.A. was converted to 36,623,842 shares in Banca Intesa following Banca Intesa's acquisition of Cassa di Risparmio di Parma e Piacenza S.p.A. As a result of this, Banca Lombarda's stake was increased to 120,862,150 shares as of December 1999. Following the capital increase on share capital of Banca Intesa in May 1999 and the public offer for exchange of the shares of Comit Bank with the shares of Banca Intesa in December 1999, Banca Lombarda holds 2.60 per cent. shareholding in Banca Intesa, 1.78 per cent. of which is held under a shareholding syndicate agreement with other shareholders. As at 23 December 1999, the book value of Banca Lombarda's shareholding was Lire 569 billion.

Group Structure

Following the Merger, Banca Lombarda is the operational parent bank of the Banca Lombarda Group, and has responsibility for strategic planning and for the management of finance and the organisational, control and monitoring activities of the Banca Lombarda Group. Banca Lombarda is also responsible for the Banca Lombarda Group's treasury operations. This structure has been adopted in order to facilitate the acquisition of medium to small sized financial institutions which are able to retain their own identities within an analogical group (See "Recent Developments" below) and thereby makes it easier for the Banca Lombarda Group to achieve growth objectives. The structure allows specialisations and areas of competence to be concentrated and avoids duplication of branches among the Banca Lombarda Group.

Business Activities and Operations

Banca Lombarda is the parent bank for the Banca Lombarda Group and is responsible principally for the strategic planning, financial management, organisational control and monitoring activities for the Banca Lombarda Group. Banca Lombarda is also responsible for the Banca Lombarda Group's treasury operations. In particular, Banca Lombarda carries out the following functions for the Banca Lombarda Group:

- management planning and control
- control of market and credit risks
- auditing
- personnel management
- the general setting up of credit policies and of the relative marketing processes
- financial statements, tax, shareholders' register; legal consultancy, external relations
- banking finance
- group strategy and internal service functions
- international relations, and
- information technology and back office functions

The Banca Lombarda Group is principally involved in commercial and private banking, securities trading, primary market activities, brokerage activities, asset management and custody services and other financial activities such as leasing and factoring (see "Other Activities"). The following table sets out the contributions of each of these activities to the consolidated net income of Banca Lombarda for the two years ended 31 December 1997 and 31 December 1998:

<i>Business Activities</i>	<i>1997</i>		<i>1998</i>	
	<i>(billions of Lire)</i>	<i>(%)</i>	<i>(billions of Lire)</i>	<i>(%)</i>
Commercial Banking ⁽¹⁾	1,017.7	71.6	986.9	63.3
Securities trading and other financial activities ⁽²⁾	222.9	15.7	299.7	19.2
Asset management and custody services ⁽³⁾	70.8	5.0	159.9	10.2
Other ⁽⁴⁾	110.0	7.7	113.6	7.3
Total Net Interest and other Banking Income.....	<u>1,421.4</u>	<u>100.0</u>	<u>1,560.1</u>	<u>100.0</u>

Notes:

- (1) Includes: net interest income, net commission from guarantees given, collection and payment services, revenues on loan account and other operating income, excluding dividends and other revenues.
- (2) Includes: profits on financial transactions, commissions relating to dealing in securities, dealing in currency, and other operating income.
- (3) Includes: portfolio management, custody and administration of securities, acceptance of instructions, placement of securities, and other operating income.
- (4) Includes: sales of life insurance products, door-to-door sales of securities financial products and services, other services excluding other revenues on loan account, and other operating income.

Funding

The Principal components of Banca Lombarda's funding are time deposits, demand deposits, CDs, bonds, repurchase agreements and inter-bank funding.

The following table shows a break-down of Banca Lombarda's consolidated funding as at 31 December 1997 and 1998:

	<i>As at 31 December</i>	
	<i>1997</i>	<i>1998</i>
	<i>(billions of Lire)</i>	
Time deposits.....	1,995.4	1,714.5
Demand deposits	8,308.2	9,985.2
Repurchase agreements	4,634.3	4,052.8
CDs	2,609.7	1,448.5
Bonds	5,104.0	6,241.2
Inter-Bank funding	4,514.4	4,550.3
Other	112.7	164.1
Total	<u>27,278.7</u>	<u>28,156.6</u>

The lower interest rate environment which has been evident in Italy since the beginning of 1996 has caused a decline in the popularity of time deposits as customers look to use more actively managed products. As a result, the Banca Lombarda Group has experienced a decline in time deposits of 14.1 per cent. since 1997. Conversely demand deposits in 1998 have increased by 20.2 per cent. since 1997 as customers seek to maintain a liquid position.

The following table shows information regarding the residual maturity of Banca Lombarda's outstanding funding at 31 December 1998:

	<i>As at 31 December 1998</i>			
	<i>Less than</i>	<i>Between</i>	<i>Over 60</i>	
	<i>12 months</i>	<i>12 and 60</i>	<i>months</i>	<i>Total</i>
	<i>(billions of Lire)</i>			
Due to Customers.....	15,632.0	1.0	119.5	15,752.5
CDs	1,330.6	117.9	—	1,448.5
Bonds	2,491.2	3,401.6	348.4	6,241.2
Inter-Bank funding	4,316.9	212.8	20.6	4,550.3
Other	164.1	—	—	164.1
Total	<u>23,934.8</u>	<u>3,733.3</u>	<u>488.5</u>	<u>28,156.6</u>

Loan Portfolio

As at 31 December 1998, Banca Lombarda's total consolidated loan portfolio was Lire 19,205.3 billion, which accounted for 58.4 per cent. of total consolidated assets.

The following table shows the breakdown of Banca Lombarda's lending to domestic non-financial and personal businesses as at 31 December 1997 and 1998 in accordance with Bank of Italy guidelines.

	<i>As at 31 December</i>	
	<i>1997</i>	<i>1998</i>
	<i>(billions of Lire)</i>	
Commercial, recovery and repair services	2,373.9	2,670.0
Other services intended for sales.....	1,751.1	1,983.6
Metal products excluding machinery and means of transport.....	1,140.1	1,274.1
Buildings and public works	987.4	1,022.9
Textiles, leather, footwear and clothing.....	862.0	941.7
Others.....	4,778.6	5,450.8
Total	<u>11,893.1</u>	<u>13,343.1</u>

The above table shows the five largest categories of non-financial and personal businesses set out in accordance with Bank of Italy guidelines. All remaining loans to customers whose business is of a type falling outside the five largest categories are aggregated under the heading of “Other”. As at 31 December 1998, loans to the Banca Lombarda Group’s 10 largest customers (for these purposes aggregating all loans made to borrowers within the same group) accounted for 9.45 per cent. of Banca Lombarda’s total consolidated loan portfolio. The aggregate total of credit lines available to companies controlled by members of the board of directors of Banca Lombarda or its internal auditors as at 31 December 1998 was Lire 611.1 million.

The following table gives a breakdown of loans by type of borrower as at 31 December 1997 and 1998.

	<i>As at 31 December</i>	
	<i>1997</i>	<i>1998</i>
	<i>(billions of Lire)</i>	
Governments	168.1	132.2
Other public entities	207.4	161.1
Non-financial businesses	8,852.5	12,255.3
Financial institutions	2,531.0	2,996.9
Personal businesses.....	3,190.7	1,178.9
Other operators	1,972.9	2,480.9
Total	<u>16,922.6</u>	<u>19,205.3</u>

The following table gives a breakdown of the security and guarantees obtained by Banca Lombarda in respect of the Banca Lombarda Group’s loan portfolio as at 31 December 1997 and 1998.

	<i>As at 31 December</i>	
	<i>1997</i>	<i>1998</i>
	<i>(billions of Lire)</i>	
Mortgages	1,734.4	2,310.9
Pledges on:		
cash deposits	57.6	95.8
securities	871.7	817.7
other valuables.....	595.1	12.6
Guarantees provided by:		
States	3.6	—
other public bodies	2.6	2.9
banks	117.1	103.1
others.....	4,151.2	4,702.8
Total ⁽¹⁾	<u>7,533.3</u>	<u>8,045.8</u>

Notes:

(1) The security and guarantees shown in the table refer to the following items in the loan portfolio: overdrafts net of drawn credit lines that are subject to recourse; mortgage loans; personal loans and other non-overdraft lending; and loans and advances granted out of funds administered on behalf of public bodies.

As can be seen from the above table, as at 31 December 1998 approximately 60.3 per cent. of the Banca Lombarda Group’s loan portfolio by value benefited from some form of collateral.

Credit Risk

Banca Lombarda manages the credit risk management for the Banca Lombarda Group based on a unified set of rules which apply throughout the Banca Lombarda Group.

Credit approvals for loans to retail customers are currently dealt with at branch level and different levels of approval are required depending on the size and the risk of the credit, ranging from the approval of a single loan officer to the Board of Directors. Potential borrowers are ranked according to a credit scoring system

and although the Banca Lombarda Group does not operate sectoral limits, exposures are actively monitored by the credit control division. Credit facilities are generally audited by the credit control division at least annually. Credit assessments are made on the basis of market information, financial records, suppliers' references, asset reviews, assessments of corporate customers' shareholders, Bank of Italy information in respect of borrowers' total debt to the banking system, sector analysis and the value of any collateral. The Banca Lombarda Group has provided for a category of credit with a risk above the "high risk credits" category established by the Bank of Italy and has identified those credits which fall into this category.

Financial Risk Management

The Finance Division of Banca Lombarda is responsible for the management of the Banca Lombarda Group's liquidity position and interest rate and exchange rate risks. The Risk Management Division oversees and implements information technology procedures to central operational risks.

The Finance Division is also responsible for monitoring and managing the Banca Lombarda Group's derivatives and foreign currency exposures. The Banca Lombarda Group's policy is to watch its foreign currency assets and liabilities and foreign exchange dealers operate under strict overnight exposure limits.

The Banca Lombarda Group's securities portfolio and off-balance sheet items are marked-to-market on a daily basis. The Banca Lombarda Group imposes maximum limits in relation to its overall trading position and its exposure to individual counterparts. The Banca Lombarda Group is currently implementing an operational system designed to analyse its overall trading position and interest rate and currency exposure on a daily basis using a value-at-risk methodology. The system currently in use provides such data on a monthly basis.

The Banca Lombarda Group uses derivatives principally to hedge its interest rate exposure.

The following table shows the maturity analysis of assets and liabilities for Banca Lombarda as at 31 December 1998:

<i>As at 31 December 1998</i>									
	<i>Repayable on demand</i>	<i>Up to 3 months</i>	<i>Between 3 and 12 months</i>	<i>Between 1 and 5 years</i>		<i>Over 5 years</i>		<i>Unspecified duration</i>	<i>Total</i>
				<i>fixed rate</i>	<i>indexed rate</i>	<i>fixed rate</i>	<i>indexed rate</i>		
<i>(millions of Lire)</i>									
Assets									
Treasury bills, eligible for refinancing	33,413	50,875	93,270	530,452	725,786	191,851	366,343	—	1,991,990
due from banks	164,435	1,502,200	16,166	73	—	—	—	399,717	2,082,591
Loans to customers	7,401,632	5,819,599	1,523,348	830,651	1,668,712	202,097	1,189,729	569,540	19,205,308
Bonds and other debt securities	21,574	159,515	308,122	1,526,801	2,320,267	1,103,586	1,197,901	90,715	6,728,481
off-balance sheet transactions	436,835	2,262,054	1,558,021	1,183,245	216,933	475,888	365	55,000	6,188,341
Total	8,057,889	9,794,243	3,498,927	4,071,222	4,931,698	1,973,422	2,754,338	1,114,972	36,196,711
Liabilities									
due to banks	866,639	2,926,926	523,360	10,874	201,861	2,138	18,187	324	4,550,309
due to customers	10,859,624	4,495,556	276,969	895	—	—	—	119,530	15,752,574
Securities issued	190,157	1,047,863	2,747,815	2,066,618	1,452,942	205,629	142,780	—	7,853,804
bonds	—	265,621	2,225,563	2,015,204	1,386,435	205,629	142,780	—	6,241,232
certificates of deposit	29,662	778,642	522,252	51,414	66,507	—	—	—	1,448,477
other securities	160,495	3,600	—	—	—	—	—	—	164,095
Subordinated liabilities	82	6,250	75,000	47,294	328,668	—	180,000	—	637,294
off-balance sheet transactions	327,577	2,319,243	1,473,919	1,353,473	31,910	618,948	15,180	50,000	6,190,250
Total	12,244,079	10,795,838	5,097,063	3,479,154	2,015,381	826,715	356,147	169,854	34,984,231

Loan Classification

Pursuant to Bank of Italy classification, Banca Lombarda divides its loans into separate categories: (i) good credit loans (*in bonis*); (ii) troubled loans (*incagliati*) (i.e., a loan in which the borrower is temporarily insolvent); (iii) bad loans (*sofferenza*) (i.e., non-performing loans, typically for borrowers for which

insolvency or similar proceeds have been instituted); (iv) loans in the course of restructuring (*in corso di ristrutturazione*); (v) restructured loans (*ristrutturazione*); or (vi) loans subject to country risk (*crediti soggetti a rischio paese*). In accordance with Italian GAAP and Italian law, Banca Lombarda must, like other Italian banks, report its loan classification monthly to the Bank of Italy.

Non-performing (or bad) loans

Pursuant to guidelines established by the Bank of Italy, Banca Lombarda must classify a loan as a non-performing (or bad) loan upon the initiation of legal proceedings for the recovery of such loan or 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 fully 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 loans

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 likely to be temporary (i.e., can be resolved within a reasonable period of time).

Loans in the course of restructuring

These are loans where the counterparty is indebted to several banks, and the debtor has presented a petition of consolidation in the previous 12 months. The part of a loan being restructured has to be disclosed but does not have to be classed as a non-performing or troubled loan. Where more than 12 months since the presentation of the petition have passed, the banks must verify whether the exposure should be classified as non-performing or troubled and report the exposure accordingly.

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 banks which do not agree with the restructuring must evaluate whether the conditions are such as to require the risk classification of the loan to be "troubled" or "non-performing". The banks which have approved the restructuring in case of subsequent unpaid outstandings must evaluate whether the conditions are such as to require the risk classification of the loan to be "troubled" or "non-performing".

Loans exposed to country risk

"Country risk" relates to problems of solvency in countries where there are difficulties in respect of the service of debt.

Defaulted and Problem Loans

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 required, 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 consider 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 shows, as at 31 December 1998, a breakdown of the Banca Lombarda Group's commercial loans (after provisions have been made and excluding arrears of interest).

	<i>As at 31 December 1998</i>		
	<i>Gross credit</i>	<i>Provisions</i>	<i>Net Credit</i>
	<i>(millions of Lire)</i>		
Bad loans	534,092	200,105	333,987
Impaired loans	239,762	25,868	213,894
Restructured loans	26,466	1,422	25,044
Country risk loans	51	2	49
Problem loans	800,371	227,397	572,974
Good loans	18,700,037	67,703	18,632,334
Total Commercial Loans Outstanding	<u>19,500,408</u>	<u>295,100</u>	<u>19,205,308</u>

Competition

In terms of its branch network, as described above in "Overview", the Banca Lombarda Group is the largest banking group in the province of Brescia, having a market share of approximately 36 per cent. as at 31 March 1999. In terms of total assets, the Banca Lombarda Group is the 19th largest Italian banking group with total assets as at 31 December 1998 of Lire 32,880 billion. As at 31 December 1998, the Banca Lombarda Group had customer deposits of approximately Lire 15,752.5 billion giving it a market share in Brescia of 41 per cent. and a market share in Lombardy of 5 per cent. Banca Lombarda's main competitor in Lombardy is Banca Intesa in which it has a 4.71 per cent. holding (see "Subsidiaries and Equity Investments – Equity Investments").

Other Activities

Insurance

Banca Lombarda holds a 20 per cent. stake in Prime Augusta Vita ("Prime") which it has as a result of a 20 per cent. holding which CAB held prior to the Merger. Prior to the Merger, Banca San Paolo had an agreement with Società Cattolica di Assicurazione ("Società Cattolica") allowing it to distribute Società Cattolica's insurance products. As a result, the Banca Lombarda Group not distributes the life insurance products of Prime and of Società Cattolica through the branch network of Banco di Brescia. The branches of Banca di Valle Camonica S.p.A. and Banca di Genova e San Giorgio S.p.A. also distribute certain of these products. As at 31 December 1998, new premiums worth Lire 385 billion were generated by the Banca Lombarda Group and the commission which Banca Lombarda charges upon sale are accounted for in the consolidated income statement of Banca Lombarda as commission income.

Leasing

Banca Lombarda is active in the leasing market through its subsidiary, SBS Leasing. Leasing products, primarily for equipment and property, are sold by Banca Lombarda through its branches and also by a network of agents. SBS Leasing achieved net income of Lire 12.3 billion in the year ended 31 December 1998 and its loans loss ratio for the year ended 31 December 1998 was 0.44 per cent.

Factoring

Banca Lombarda is active in factoring, which is discounting of trade debts for short term financing, through its subsidiary CBI Factor in which as at 31 December 1999 it has a 77.0 per cent. holding (See "Subsidiaries and Equity Investments").

Information Technology

Information technology is an integral part of treasury operations, general risk management, regulatory compliance programme and commercialisation efforts. Banca Lombarda's computer system comprises back up and disaster facilities. Banca Lombarda is currently implementing a plan to enhance its capacity to coordinate operations between branches and divisions, manage risk, access data and supervise business activities.

The approaching year 2000 and the introduction of the euro pose special challenges to businesses such as Banca Lombarda and several of its subsidiaries, which are heavily reliant on information technology. Banca Lombarda believes that it is taking adequate steps to ensure that its own information technology systems do not experience difficulties accounting for the year 2000 and Banca Lombarda has not experienced difficulties as a result of the introduction of the euro. In addition, Banca Lombarda is in the process of reviewing existing relationships with its principal suppliers in an effort to minimise the impact on Banca Lombarda's business of any failures by its suppliers to make their data processing systems year 2000 compliant. After the merger, Banca Lombarda anticipates that additional expenses and costs will be incurred due to the integration of the information technology systems of CAB and Banca San Paolo.

Litigation

As at 30 June 1999, the Banca Lombarda Group had made a provision of Lire 41.3 billion to cover legal disputes and other charges (relating to actual litigation currently being undertaken none of which is of a material nature). Neither Banca Lombarda nor any of its subsidiaries is nor has been involved in any legal proceedings which may have or have had in the past 12 months a significant effect on the Banca Lombarda Group's financial position.

MANAGEMENT OF BANCA LOMBARDA S.p.A.

Management and Employees

Management

The management of Banca Lombarda is divided between the Board of Directors of the Executive Committee, which acts under delegated authority of the Board of Directors. Day-to-day operations are the responsibility of the General Manager. In addition, the Italian Civil Code requires Banca Lombarda to have a supervisory body, the Statutory Board of Auditors.

Board of Directors

The Board of Directors is elected by the shareholders at the general meeting and at present consists of nineteen members.

In accordance with the By-laws, the Board of Directors has complete power of ordinary and extraordinary administration, except for actions reserved by the applicable law of the By-laws to meetings of the shareholders.

Members of the Board of Directors are elected for a term of three years and may be re-elected by the shareholders. The following table sets forth certain information regarding the current members of the Board of Directors:

<i>Name</i>	<i>Title</i>	<i>Other Relevant Positions</i>
Gino Trombi ^(*)	Chairman	<i>Director of:</i> Banca Intesa S.p.A., <i>Vice Chairman and member of the Executive Committee of:</i> Cariplo S.p.A.
Alberto Folonari ^(*)	Vicarious Deputy Chairman	<i>Managing Director of:</i> Chianti Ruffino S.p.A. <i>Vice Chairman and managing director of:</i> Premiovini S.p.A. Lucchini S.p.A. Editoriale Bresciana S.p.A. Studiogi S.r.l. <i>Chairman of:</i> Fondazione Credito Agrario Bresciano Fondazione Guido Angela Folonari Federvini Fondazione Iniziative Zooprofilattiche e Zootecniche
Giovanni Bazoli ^(*)	Vice Chairman	<i>Chairman of:</i> Banca Intesa S.p.A. Intesa Sistemi e Servizi S.p.A. Mittel S.p.A. <i>Director of:</i> Banco di Brescia San Paolo Cab S.p.A. Alleanza Assicurazioni S.p.A. <i>Vice Chairman of:</i> Editrice La Scuola S.p.A. <i>Member of the Executive Committee of:</i> Italian Banking Association

<i>Name</i>	<i>Title</i>	<i>Other Relevant Positions</i>
Corrada Faissola ^(*)	Managing Director	<p><i>Director and member of the Executive Committee of:</i> Associazione Bancaria Italiana</p> <p><i>Vice Chairman of:</i> Associazione Nazionale Banche Private</p> <p><i>Director of:</i> Banca di Genova e San Giorgio S.p.A. Banca della Valle d'Aosta S.p.A. SBS Leasing S.p.A. Augusta Assicurazioni S.p.A. Prima Augusta Vita S.p.A. Banca Valle Camonica S.p.A.</p>
Mario Cattaneo	Board Secretary	<p><i>Chairman of:</i> C.B.I. Factor S.p.A. Euromobiliare Fondi S.p.A.</p> <p><i>Director of:</i> ENI S.p.A. Unicredito Italiano S.p.A.</p> <p><i>Statutory Auditor of:</i> Banca d'Italia S.p.A. Michelin Italia S.p.A.</p>
Luigi Bellini	Director	<p><i>Managing Director of:</i> Innocenzo S.p.A.</p> <p><i>Director of:</i> Darc's S.p.A. Ballestra S.p.A. Bonetti Acciai S.p.A.</p> <p><i>Statutory Auditor of:</i> CRI-RO S.p.A. Immobiliare I.A.C.I. S.p.A.</p>
Giuseppe Camadini ^(*)	Director	<p><i>Chairman of:</i> Società Cattolica di Assicurazione Scarl</p> <p><i>Director of:</i> Banca di Valle Camonica S.p.A.</p>
Alessandro Fenaroli	Director	<p><i>Director of:</i> Unione Agricoltori di Brescia</p>
Virginio Fidanza	Director	<p><i>Managing Director of:</i> Veafin S.r.l.</p>
Attilio Franchi	Director	<p><i>Managing Director of:</i> Dolomite Franchi S.p.A.</p>
Ugo Gussalli Beretta	Director	<p><i>Chairman of:</i> Beretta Holding S.p.A. Fabbrica d'Armi Pietro Beretta S.p.A. Beretta USA Corporation Brede di Cecina S.p.A. Franchi S.p.A.</p>

<i>Name</i>	<i>Title</i>	<i>Other Relevant Positions</i>
		<i>Director of:</i> Pietro Beretta Holding BV Berettarmi S.A. Lucchini S.p.A. Confindustria
Adolfo Lombardi	Director	<i>Managing Director of:</i> La Scuola Editrice S.p.A.
Giuseppe Lucchini	Director	<i>Chairman and Managing Director of:</i> Lucchini International S.A. Gilpar Holding S.A. <i>Managing Director of:</i> Sofinlux S.A. <i>Vice Chairman and Managing Director of:</i> Lucchini S.p.A. <i>Vice Chairman of:</i> Milano Assicurazioni S.p.A. <i>Director of:</i> SMI S.p.A. Hopa S.p.A. SNIA BDP S.p.A.
Giovanni Minelli ^(*)	Director	<i>Director of:</i> S.p.A. Borghetto Magazzini Generali e Frigoriferi di Brescia S.B.I.M. S.p.A.
Angelo Radici	Director	<i>Chairman of:</i> Radici Fin S.p.A. Radici Chimica S.p.A. <i>Managing Director of:</i> Tessiture Pietro Radici S.p.A. Radici Chem. Fin. S.p.A. Radici Novacips S.p.A.
Pierfrancesco Rampinelli Rota	Director	<i>Director of:</i> S.p.A. Borghetto Magazzini Generali e Frigoriferi di Brescia
Luciano Sorlini ^(*)	Director	<i>Chairman of:</i> Luciano Sorlini S.p.A.
Francesco Passerini Glazel	Director	<i>Managing director of:</i> Numerica S.r.l. <i>Director of:</i> Editoriale Bresciana S.p.A. Centro Stampa Quotidiani S.p.A. I.T.L. S.p.A. La Nuova Cartografica S.p.A. Fondo Pensioni “Fiorenzo Casella” Seltering S.p.A. <i>Director and Member of the Executive Committee of:</i> ANSA Osservatorio Tutti Media

<i>Name</i>	<i>Title</i>	<i>Other Relevant Positions</i>
		<i>Member of Chairman Committee of:</i> Federazione Italiana Editori Giornali (FIEG)
		<i>Auditor of:</i> Fondo pensioni ex Banca San Paolo di Brescia
Felice Martinelli	Director	<i>Chairman of Statutory Auditors of:</i> Banca INTESA S.p.A. SIM COMIT <i>Director of:</i> Credito Artigiano/Milano Società Cattolica di Assicurazione <i>Chairman of:</i> ISA Istituto Atesino di Sviluppo S.p.A.

(*) Members of the Executive Committee

The business address of each of the above is Via Cefalonia, 62, 25175 Brescia, Italy.

The By-laws provide that the Board may delegate its powers to the Executive Committee and the General Manager. The Chairman and the Vice Chairman 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 seven members.

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 the day-to-day management of Banca Lombarda in compliance with the direction of the Board of Directors and has a general supervisory role in relation to all its activities.

Statutory Board of Auditors

The Statutory Board of Auditors is appointed by the shareholders and has a duty to the shareholders (to whom they report), to Banca Lombarda and to its creditors. The Statutory Board of Auditors functions as a control over the management and financial reporting and condition of Banca Lombarda and in particular, compliance with the law and its By-laws, ensuring that Banca Lombarda's accounting records are regularly maintained and that the balance sheet and the profit and loss account are prepared in a manner which is consistent with its accounting records.

Employees

As at 31 December 1998, the Banca Lombarda Group had 4,646 employees. The following table shows the total number of Banca Lombarda's managers, officers and other employees as at 31 December 1997 and 1998:

	<i>As at 31 December 1997</i>	<i>As at 31 December 1998</i>
Managers.....	56	54
Officers.....	759	757
Other employees	3,777	3,835
Total	<u>4,592</u>	<u>4,646</u>

CAPITALISATION AND INDEBTEDNESS OF BANCA LOMBARDA S.p.A.

Capitalisation and Indebtedness

The following table sets forth the unconsolidated capitalisation and indebtedness of Banca Lombarda as at 30 June 1999. Banca Lombarda's authorised share capital is Lire 251,059,500,000 divided into 251,059,500 fully paid ordinary shares of Lire 1,000 each.

	<i>As at 30 June 1999</i>
	<i>(millions of Lire)</i>
Debt with banks.....	3,023,966
Debt with customers.....	16,356,860
Bonds and other issues:	
– Non convertible bonds	6,919,171
– Certificates of deposit	1,009,569
– Other issues	241,867
	<u>8,170,607</u>
	<u>27,551,433</u>
Provisions:	
– for termination indemnities	220,073
– for taxation	196,457
– for other liabilities and charges.....	85,576
	<u>502,106</u>
Other liabilities ⁽¹⁾	2,712,713
Subordinated liabilities ⁽²⁾	1,163,451
Share Capital ⁽³⁾	251,059
Share premium account.....	403,412
Adjustments on consolidation ⁽⁴⁾	49,336
Reserves:	
Revaluation reserves.....	196,155
– Legal reserve	231,418
– Profit (loss) ⁽⁵⁾	141,174
– Reserves for general Banking risks.....	78,770
– Other reserves	646,224
	<u>1,293,741</u>
Total capitalisation and indebtedness ⁽⁶⁾	<u><u>33,927,251</u></u>

Notes:

(1) There are no contingent liabilities.

(2) No indebtedness is guaranteed or secured.

(3) At the end of February 1999, 5,879,860 outstanding warrants on the shares of Banca Lombarda were exercised and the capital of Banca Lombarda increased from Lire 245.2 billion to Lire 251.1 billion resulting in an increase in the share premium account from Lire 369.7 billion to Lire 403.4 billion.

(4) Primarily adjustments made for the deduction of goodwill.

(5) On 28 April 1999, a shareholders' meeting of Banca Lombarda approved a dividend in an aggregate amount of Lire 134,849 million.

(6) Save as disclosed above, since 30 June 1999 there has been no material change in the capitalisation, indebtedness, contingent liabilities and guarantees of Banca Lombarda except for the issuance by Banca Lombarda of euro 800 million of senior debt issued on 28 January 2000 and euro 350 million of Upper Tier 2 subordinated debt issued on 23 February 2000.

Capital Adequacy

The Bank of Italy has adopted risk-based capital ratios ("Capital Ratios") pursuant to the EC capital adequacy directives. Italy's current capital requirements are in many respects similar to the requirements imposed by the international framework for capital measurement and capital standards of banking

institutions of the Basle Committee on Banking Regulations and Supervisory Practices. The Capital Ratios set forth core (Tier I) and supplemental (Tier II and Tier III) 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 Banca Lombarda 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 Banca Lombarda 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 Banca Lombarda Group at 30 June 1999, in billions of Lire (Banca Lombarda does not have any Tier III capital):

	<u>30 June 1999</u>
	<i>(millions of Lire except for percentages)</i>
Tier I capital	1,395,594
Tier II capital	1,086,426
Participation in financial institutions of more than 10 per cent.....	(349,008)
Total capital ("Own Funds")	2,133,013
Total Risk-Weighted Assets	<u>20,975,746</u>
Capital Adequacy Ratios:	
Tier I capital ratio (Tier I capital to total Risk-Weighted Assets)	6.65%
Total capital ratio (Total capital to total Risk-Weighted Assets)	10.17%

Upon consummation of this offering and the acquisition of BRE Banca, the Bank expects its total capital ratio and Tier 1 capital ratio to be 9.14 per cent. and 5.2 per cent. respectively.

REGULATION OF BANCA LOMBARDA S.p.A., BANCO DI BRESCIA AND THE BRANCH

Italy

Structure of the Italian Banking System

Historically, the Italian banking system was fragmented and largely shielded from foreign competition, although exposure to competition has generally been increasing since the mid-1980s. At the end of 1996, according to the Italian Banking Association, Italy had more than 900 banks.

Background

Italy's banking industry was regulated for over 50 years under the Banking Act of 1936 (the "Banking Act"), a law that set out the structure for the banking industry and regulated the different types of institutions permitted to operate in that market. The Banking Act was significantly modified by (i) EC Directive No. 77/80, implemented in 1985 (the "EC First Banking Directive"), which facilitated the creation of new banking institutions and the opening in Italy of branches of banks based in other countries within the European Union ("EU") countries, (ii) Law No. 218 of 30 July 1990 (the "Amato Law") and its implementing legislation, and (iii) Legislative Decree No. 481 of 14 December 1992 ("L.D. 481"), implementing EC Directive No. 89/646 (the "EC Second Banking Directive").

Prior to 1993, the Banking Act divided the banking industry into two broad categories: "Ordinary Credit Institutions" and "Special Credit Institutions". Generally, Ordinary Credit Institutions provided mainly short term credit (less than 18 months maturity). Special Credit Institutions provided medium and long term credit and mortgage loans financed predominantly in the medium and long-term debt markets. Ordinary and Special Credit Institutions fell into two further classes, those entities organised under public law and those in corporate form.

Effective 1 January 1993, the distinction between Ordinary Credit Institutions and Special Credit Institutions was formally eliminated. Banking activities may be performed by a single category of banks, which may collect demand and savings deposits from the public, issue bonds and extend medium and long term credit, subject to regulations issued by the Bank of Italy. Furthermore, subject to their representative by-laws and applicable regulations, banks may engage in all the business activities that are described as related and instrumental to banking in the EC Second Banking Directive.

In addition, pursuant to the provisions of the Amato Law, most of the Ordinary and Special Credit Institutions organised under public law have been transformed into joint stock companies. Consequently, Italian banks are now either (a) banks in the legal form of joint stock companies owned directly or indirectly by the private or public sector or by public law foundations (mostly controlled by local authorities), (b) co-operative banks (*banche popolari and banche di credito cooperativo*) or (c) institutions which provide centralised management services to other, usually small sized banks.

Upon its effectiveness, Legislative Decree No. 385 of 1 September 1993 (the "Consolidated Banking Law") repealed and replaced, among others, the Banking Act and L.D. 481. The Consolidated Banking Law concerns, *inter alia*, the definition of banking and related activities, the role of the supervisory authorities, the purpose and scope of supervision (also on a consolidated basis), the authorisation of banking activities, holding of capital in banks, special bankruptcy procedures for banks and the supervision of financial companies. Subject only to generally applicable prudential rules and the bank's own by-laws, Italian banks are currently able to decide which banking and related financial activities to carry out and which structure to adopt.

The Directive of the Treasury Minister dated 18 November 1994 (the "Dini Directive") further encourages the structural changes begun by the Amato Law by requiring Italian bank foundations to diversify their holding within five years of its enactment in order to ensure that either (i) projected costs associated with the foundations' purposes, as defined in the by-laws, are more than 50 per cent. financed by income other than that generated by shares of the entity created from the Amato Law conversion or (ii) no more than 50 per cent. of the foundations' equity is invested in shares of the entity created from the Amato Law conversion.

Furthermore, in Italy, non-Italian EU banks may carry out banking business and business activities that are described as related and instrumental to banking in the EC Second Banking Directive and that are authorised to be carried out in their home country, provided the Bank of Italy is informed by the entity supervising the relevant non-Italian EU bank. Such supervising entity retains primary control over the relevant non-Italian EU bank according to the principle of “home-country control”.

Italian Banking Regulatory Bodies

Italian banks, including the Bank and Banco di Brescia, are regulated by the Interministerial Committee for Credit and Savings (*Comitato Interministeriale per il Credito e il Risparmio* (the “CICR”)), the Italian Treasury Ministry and the Bank of Italy.

The CICR

The CICR is composed of the Treasury Minister, who acts as chairman, and certain other ministers of the Italian Government. The Governor of the Bank of Italy, although not a member of the CICR, attends all meetings of the CICR but does not have the right to vote at such meetings. The CICR establishes the general guidelines which the Bank of Italy must follow when adopting regulations applicable to banks.

The Treasury Ministry

The Treasury Ministry has broad powers in relation to banking and financial activities. It authorises the establishment in Italy of the first branch of non-EU banks and establishes the integrity requirements for members of banks, as well as, the level of professional experience and integrity requirements of persons performing administrative, managerial or supervisory functions in banks. On matters of urgency, the Treasury Minister acts in place of the CICR and, acting on a proposal from the Bank of Italy, imposes sanctions against banks and their managers, with a decree stating the grounds for the decision. The Minister, acting on a proposal from the Bank of Italy, may issue a decree revoking authorisation to engage in banking and ordering the compulsory administrative liquidation (*liquidazione coatta amministrativa*) of banks and/or special administration (*amministrazione straordinaria*).

The Bank of Italy

The Bank of Italy implements the general guidelines laid down by the CICR by adopting regulations applicable to banks, including regulations governing capital adequacy, risk exposure, equity participations, and administrative and accounting organisation and internal controls. The Bank of Italy also issues regulations in other fields such as transparency in banking and financial operations of credit institutions.

Moreover, the Bank of Italy supervises the banks through its own auditing body, by granting authorisations, for, among other things, significant investments by banks and examining the reports that banks are required to file with the Bank of Italy on a regular basis or with respect to specific transactions. The main supervisory powers of the Bank of Italy include review of bank financial statements and other statistical data, prior review of by-law amendments, bank inspections and the verification of capital ratios, reserve requirements and exposure limits for individual banks.

The Bank of Italy carried out audits of all banks through its supervisory staff of bank examiners. Audits may be ordinary or special (which are directed toward specific aspects of banking activity). Matters covered by an audit include the accuracy of reported data, compliance with banking laws and regulations, conformity with a bank's own by-laws and compliance with exposure limits.

The Bank of Italy requires all banks to report monthly information related to all financial components of their operations.

In addition to its supervisory and regulatory role, the Bank of Italy is the lender of last resort for Italian banks, and banker to the Italian Treasury, and is generally in charge of implementing monetary policies. It also operates services for the banking industry as a whole, most notably the *Centrale dei Rischi*, a central information database on credit risk.

Monetary and Fiscal Policies

The Bank of Italy retains some responsibilities for monitoring Italian money supply. In order to control the money supply, the Bank of Italy principally uses open-market operations in Italian Government securities, currency and securities repurchase agreements, and its power to fix the discount rate and the rate on fixed term advances. By injecting or absorbing funds through the purchase and sale, respectively, of Italian Government securities, providing Italian banks with ordinary and extraordinary advances and setting the rates at which such advances are available, the Bank of Italy may increase or decrease liquidity in the banking system. The Bank of Italy also utilises compulsory reserves to control the money supply. Following the introduction of the euro, from 1 January 1999, the European System of Central Banks (the “ESCB”) is responsible for monetary policy in participating Member States and, in particular, for monitoring interest rates. See “— Italian Banking Regulation — Reserve Requirements”.

Monetary and fiscal policies have had a significant effect on the operations and profitability of Italian banks in the past and are expected to do so in the future. Similarly, the monetary and fiscal policies of governments in other countries in which Banca Lombarda operates affect the operations and profitability of the Banca Lombarda’s operations in those countries.

Some of the above duties, principally the management of monetary policy (money supply and interest rates) will gradually be transferred, beginning 1 January 1999, to the European Central Bank, following the introduction of the euro (the new European currency unit).

Italian Banking Regulation

Reserve Requirements

The reserve requirement is one of the instruments of monetary policy available to the Bank of Italy. From 1 January 1999, as a result of the introduction of the euro, the ESCB is responsible for the monetary policy of the participating Member States. The ESCB consists of the European Central Bank (“ECB”) and the central banks of the EU Member States and its decisions are complemented by the central banks of the Member States. The compulsory reserve requirement allows the ESCB to stabilise interest rates on the monetary market and to monitor the liquidity needs of the entire system. The amount of the compulsory reserve is determined by applying the ratio determined by the ECB.

Each Italian bank must deposit, in a compulsory reserve account with the Bank of Italy, an interest-bearing reserve in respect of the aggregate of its liabilities (other than liabilities to the ECB, the central banks of the EU Member States which are participating in the third phase of European Monetary Union and other banks subject to the compulsory reserve requirement) represented by (i) overnight deposits, (ii) fixed term deposits with a stated maturity of less than two years, (iii) deposits refundable upon notice, (iv) fixed term debt securities with stated maturity not exceeding two years and (v) money market instruments, denominated both in lire and in foreign currency (the “Aggregate Reserve Amount”). The reserve ratio is currently 2 per cent. of the Aggregate Reserve Amount. On the amount so calculated a fixed deduction of euro 100,000 is allowed. The reserve is adjusted monthly (on the basis of the same ratio) as a result of increases or decreases in the Aggregate Reserve Amount. A bank may withdraw, in whole or in part, from the compulsory reserve account, provided that the monthly average of the reserves is 100 per cent. This requirement is met if during the period commencing on the 24th day of the month immediately following the reference month and ending on the 23rd day of the following month, the average amount of daily balances in the reserve account is not lower than the amount of the compulsory reserve calculated as per the foregoing. Italian banks may also, subject to authorisation by the Bank of Italy, fulfil their compulsory reserve requirements through an intermediary bank, which is jointly and severally liable for compliance. If the compulsory reserve requirements are not complied with, the ECB may impose a sanction on the defaulting bank.

The compulsory reserve earns a rate of interest equal to the average rate of the re-financing transactions carried out by the ECB. The reserve requirements are also used as a monetary control.

Risk Based Capital Requirements and Solvency Ratios

Capital adequacy requirements are regulated principally by EC Directive 89/299 (as amended), EC Directive 89/647, the Basle Committee’s Risk Based Capital Guidelines, the Consolidated Banking Law, CICR

Regulation of 12 January 1994 and by the regulations issued by the Bank of Italy in July 1996 and March 1997. According to such regulations, Italian banking groups are required to have a ratio of capital for regulatory purposes to risk-weighted assets of at least 8 per cent. on a consolidated basis and Italian banks belonging to a banking group are required to have a ratio of capital for regulatory purposes to risk-weighted assets of at least 7 per cent. on a stand-alone basis; whereas Italian banks not belonging to a banking group are required to have a ratio of at least 8 per cent. At least half of the required capital for regulatory purposes must consist of Tier 1 capital, and the rest may consist of Tier 2 capital. Tier 1 capital includes the Trust Preferred Securities as well as paid-in share capital, capital reserves, retained earning reserves and a special reserve denominated “*fondo per rischi bancari generali*”, less own shares owned by the bank, goodwill, intangible assets and losses carried forward and incurred in the fiscal year. Tier 2 capital includes asset revaluation reserves, subordinated debt, hybrid quasi-equity instruments (such as non-redeemable loans) and other positive items, less net losses on securities and other negative items. There are also limitations on the maximum amount of supplementary capital. To calculate risk-weighted assets, assets and off-balance sheet items are weighted in relation to the nature of the debtors, the country risk and the guarantees and securities collateral received.

Since 1993, a further EC Directive, according to the agreement reached by the Basle Committee, has regulated the matter concerning the capital absorbed by “Market Risks” implicit in securities, derivative portfolio and foreign exchange positions. This EC Directive was implemented in 1995 by Bank of Italy to supplement the previous 1993 rules on the solvency ratio and on own funds (which was only meant to cover credit risks) with regulations on market risks. This directive means that Italian banks must respect further minimum capital requirements in proportion to the securities portfolio risk, which consists of position risk (general and specific), settlement risk and counterparty risk, as well as to the exchange risk involved in their total foreign currency exposure. The sum of the new and pre-existing requirements constitutes the minimum capital that banks must have in order to cope with various form of business risk.

Loan Exposure Limitations

The EC Directive No. 92/121 on the monitoring and control of large exposures of credit institutions (the “Large Exposures Directive”) has as its purpose the spreading of credit risks throughout the banking system and the limitation of a bank’s exposure to any single borrower. In compliance with the criteria specified by the Treasury Ministry, the Bank of Italy issued supervisory regulations on the concentration of risk which implement the provisions of the Large Exposures Directive.

These regulations require banks to limit their aggregate loans to any single customer or group of related customers to 25.0 per cent. of a bank’s capital for regulatory purposes and the aggregate of their large exposures (i.e., loans exceeding 10.0 per cent. of their capital for regulatory purposes) to not more than 800.0 per cent. of a bank’s capital for regulatory purposes, as defined pursuant to the Bank of Italy’s regulations. A lower limit (20.0 per cent. of capital for regulatory purposes) applies to all persons or entities affiliated with the bank, which is defined to include (i) shareholders which control, directly or indirectly, the bank or own at least 15.0 per cent. of the share capital of the bank or its parent company and (ii) companies controlled by the bank or of which the bank owns at least 20.0 per cent. of the share capital, excluding consolidated subsidiaries of the same banking group.

The Bank of Italy has adopted certain transitional provisions permitted under the Large Exposures Directive in implementing its provisions. Until 31 December 1998 large exposures were defined as those loans exceeding 15.0 per cent. rather than 10.0 per cent. of the bank’s capital for regulatory purposes and the limit for any single customer (or group or related customers) is 40.0 per cent. (and not 25.0 per cent. as stated above). If in the interim period from the time when the Bank of Italy issued such large exposures exceeded 800.0 per cent. of a bank’s capital for regulatory purposes, the bank was obliged to deliver a program to the Bank of Italy, setting forth its plan to reduce its risks by 31 December 1998. For such purposes, any loan made by a bank to a single client or group of related clients must not exceed 60.0 per cent. of the bank’s capital for regulatory purposes by 31 December 1996, 40 per cent. of the bank’s capital for regulatory purposes by 31 December 1998 and 25.0 per cent. of the bank’s capital for regulatory purposes by 31 December 2001.

Banks belonging to banking groups are not required to conform to these limits on an individual basis, but only on a consolidated basis at the parent level. On an individual basis, banks belonging to banking groups must limit their loan exposures to any single customer or group of related customers to 40 per cent. of the bank's capital (60 per cent. until 31 December 1998).

Equity Participations by Banks

Since 1993, Italian banks have been permitted to make equity investments in all types of companies, subject to certain restrictions.

Prior approval of the Bank of Italy is required for any equity investments by a bank in other banks of financial or insurance companies (i) exceeding 10.0 per cent. of the capital for regulatory purposes of the acquiring bank, (ii) exceeding 10.0 per cent. or 20.0 per cent. of the share capital of the bank or financial or insurance company, respectively being acquired or (iii) resulting in the control of the share capital of the bank or financial or insurance company being acquired. The aggregate in investments by banks in insurance companies cannot exceed 40 per cent. of the acquiring bank's capital. However, in relation to banks belonging to banking groups, the aggregate investments in insurance companies may not exceed 60 per cent. of the capital for regulatory purposes of the acquiring bank, provided that such aggregate investment does not exceed 40 per cent. of the acquiring bank's consolidated capital for regulatory purposes.

Equity investments in industrial or commercial companies (other than banks or financial or insurance companies) by banks authorised by the Bank of Italy which have at least 1 billion euro in capital and satisfy the solvency ratios (*banca abilitata*) are permitted within the following limits: (i) the aggregate amount of a bank's equity participations may not exceed 50 per cent. (on a consolidated and unconsolidated basis) of the bank's capital for regulatory purposes (25 per cent. as to investments in unlisted companies); (ii) equity investments in a single non-financial company or in a group of non-financial companies may not exceed 6 per cent. of the bank's capital; and (iii) generally banks may not acquire more than 15 per cent. of the voting shares of any non-financial company. However, such 15 per cent. limit may not be exceeded provided that: (a) the amount of the equity investment does not exceed 2 per cent. of the acquiring bank's capital for regulatory purposes; and (b) the aggregate amount of the part of the equity investments made by the bank in excess of the above limit of 15 per cent. does not exceed 2 per cent. of the acquiring bank's capital for regulatory purposes. The Bank of Italy has established lower limits for banks with capital lower than 1 billion euro (*banca ordinaria*) and higher limits for banks which, besides meeting the above-mentioned requirements, collect medium- and long-term funds and take no demand deposits (*banca specializzata*).

Finally, prior approval of the Bank of Italy is required for any acquisition by banks of control of companies which carry on activities related and instrumental to banking activities, such as bank information processing activities.

As a general limit, equity investment by a bank in all types of companies may not exceed in the aggregate, together with real estate investments, 100 per cent. of a bank's capital for regulatory purposes.

Accounting and Reporting Requirements

The Bank of Italy requires all banks to report periodically financial information relating to all components of their balance sheet, as well as their off-balance sheet operations and their liquidity. Other data reviewed by the Bank of Italy includes minutes of each bank's board of directors.

Restrictions on Foreign Investment

The Bank of Italy transmits the application for authorisation to the Treasury Minister in order to purchase more than 5 per cent. of the capital on an Italian bank by a national of a state (other than EU member state) that applies discriminatory measures with regard to similar acquisitions by an Italian national. Acting on a proposal from such Minister, the President of the Italian Council of Ministers may prohibit the authorisation.

Securities Market Supervision and Regulation

Supervision of securities activities in Italy is conducted by the Bank of Italy and CONSOB. Among other matters, CONSOB supervises the activity of the companies managing the Italian Securities Exchanges and, together with Borsa Italiana S.p.A., is involved in the admission of securities on the markets managed by such latter company (such as Telematico). Moreover, CONSOB specifies and verifies financial and other information required to be made public by listed companies, securities dealing firms, mutual fund management companies and financial companies and regulates public offerings and other forms of solicitation involving securities. CONSOB is also empowered to verify compliance with legislation regarding insider trading and to report infringements to the public prosecutors.

Insurance on Deposits

Depositors are primarily protected against the risk of insolvency of their bank or credit institution and the loss of their deposited funds by the Interbank Deposit Guarantee Fund (the “Interbank Fund”), established in 1987 by a group of Italian banks.

The Interbank Fund, of which all Italian banks (including Italian branches of foreign banks) are members, intervenes when a credit institution is either in (a) special administration or (b) compulsory administrative liquidation. In the event of controlled management, the Interbank Fund may make payments to support the business of a credit institution, which may take various forms (debt financing, the taking of equity stakes in the banks, etc.). Pursuant to Art. 96 *bis* of the Consolidated Banking Law (*i.e.*, as revised by Legislative Decree No. 659/1996) implementing directive 94/19 EC on deposit guarantee funds), Italian banks must belong to a recognized depositor protection fund covering cash account.

Banca Lombarda is a member of the Interbank Fund which is such a recognized fund. The Interbank Fund’s by-laws have recently been changed in line with Legislative Decree No. 659. According to its new terms, the Interbank Fund is obliged to compensate depositors in the event of a compulsory administrative liquidation of Banca Lombarda. The maximum coverage per depositor may not be less than 200 million lire, ECU 20,000 of which must be repaid within three months of a decree for Banca Lombarda’s compulsory administrative liquidation. Deposits by other banks in their own name and for their own account, customer deposits and other customer funds in bearer form are, *inter alia*, excluded from coverage.

Neither the Trust Preferred Securities nor the LLC Preferred Securities are covered by the Interbank Fund.

The Draghi Law

The Draghi Law (Legislative Decree No. 58 of 24 February 1998) was enacted in February 1998 and will become effective on 1 July 1998 with the purpose of, among other things, reorganising the laws governing the securities market and publicly traded companies. While the Draghi Law does not amend the Italian legislation governing the banking industry as described in this section, the Draghi Law will be generally applicable to Italian public companies. In particular, the Draghi Law introduces new provisions regulating tender offers of securities, savings shares, the solicitation of proxies and the content and duration of shareholders’ agreement with the aim of protecting minority shareholders in general.

Luxembourg

The Regulatory Authority

The Commission de Surveillance du Secteur Financier (“CSSF”) controls banking and other credit institutions in Luxembourg pursuant to the terms of the law of 20 May 1983 which created it. The CSSF is a public institution (previously, the Banking Commission) comprising of a council which has eleven members nominated by the Luxembourg government and an executive committee which consists of a general manager and two managers.

The CSSF issues regulations governing the periodic reporting requirements of credit institutions and other matters such as supervision on a consolidated basis, credit loss provisioning and off-balance sheet items. The CSSF may request additional information which it considers necessary at any time.

The CSSF and its representatives have an unrestricted right to examine the books and records of any credit institutions and are free to select the methods and procedures of examination. Examinations by the CSSF are made independently of the management of the credit institution. The principal means of supervision is based on a review of the detailed information submitted by the credit institution.

In addition to supervising the banking sector in Luxembourg, the CSSF is also responsible for the supervision of investment and mutual funds and investment services firms, as well as other professionals operating in the financial sector in Luxembourg. The CSSF further supervises the financial assets markets.

The CSSF participates in the meetings of the European Union Banking Advisory Committee and of the Bank for International Settlements' Committee on Banking Supervision, which deals with matters such as banking ratios, capital adequacy, credit loss provisions and off balance sheet commitments.

General Banking Regulations

Luxembourg banking regulations are based on EU Directives which have been issued mainly over the last five years. The EU Directives are subsequently approved via local banking laws (for instance, the law of 5 April 1993 concerning the financial sector, and the law of 3 May 1994 relating to consolidated supervision). The CSSF issues circulars detailing how the laws are to be applied by credit institutions in Luxembourg.

Specific Regulations

Money Laundering

The 1993 Banking Law, completed by the IML (the predecessor of CSSF) in circular 94/112 relating to money laundering and the law of 11 August 1998, sets out in articles 39-40 specific rules pertaining to the identification of clients and the co-operation with the authorities. Banks and other professionals in the financial sector are required to identify their clients with conclusive documentation when they establish business relationships, in particular, when they open an account or offer custodial services of assets prior to executing any order from the client. This identification requirement applies equally to all transactions with clients other than those mentioned above, where the total amount reaches or exceeds a value of LUF 500,000 (approximately US\$14,000) or its foreign currency equivalent. In addition, banks and other professionals in the financial sector are obliged to examine with particular attention all transactions which they consider particularly susceptible by their nature to being linked to money laundering.

Banking Secrecy

The legal basis of banking secrecy is found in article 41 of the 1993 Banking Law, which provides that everyone working in or for a bank (director, manager, employee, consultant) must keep secret all information to which he and the bank have access as a result of doing business.

Banking secrecy in Luxembourg is based on the client's right to have all dealings with a financial institution kept confidential. Banking secrecy is not peculiar to Luxembourg law. However, the fundamental difference with the situation in many other jurisdictions is that, in Luxembourg, banking secrecy is protected by criminal law. According to Luxembourg law, it is basically not possible for a customer of a bank to waive his right to have dealings with his bank kept confidential. A general bank secrecy waiver signed by a customer would not be valid.

Legal Status of the Branch and Consolidated Supervision

The Branch was registered with the Luxembourg Register of Companies on 28 May 1993, with registration number B 43 945. It is subject to the prudential supervision of the Bank of Italy.

The principal reports than currently must be filed by the Branch with the CSSF on a consolidated basis are:

- Liquidity ratio (Monthly)
- Monthly statistical balance sheet (Monthly)

- Statistical profit and loss account (Quarterly)
- Statistical balance sheet (Quarterly)
- Information on credits granted to persons (Quarterly)
- Information on debit and credit interests in LUF/BEF (Quarterly)
- Real estate loans granted in respect of buildings situated in Luxembourg (Quarterly)
- Staff numbers (Quarterly)
- Transactions in gold and securities. Calculation of the VAT basis (Semi-annually)
- Profit or loss on subscriptions and placings of transferable securities (On each subscription)
- Information on the financial situation, on liquidity risk and on the concentration of credit risk (Quarterly)

BANCA LOMBARDA PREFERRED SECURITIES TRUST

Banca Lombarda Preferred Securities Trust is a statutory business trust formed on 19 January 2000 under the Delaware Business Trust Act, as amended (the “Trust Act”), pursuant to a trust agreement and the filing of a certificate of trust with the Secretary of State of the State of Delaware; such trust agreement will be amended to include the terms and conditions of the Trust Securities and restated in its entirety on or prior to the Closing Date (such trust agreement, as amended and restated, the “Trust Agreement”). Upon issuance of the Trust Preferred Securities, the purchasers thereof will own all the Trust Preferred Securities. See “Description of the Trust Preferred Securities”.

As a “business trust” the Trust is an unincorporated association which is created by the filing of a certificate of trust of the Trust with the Secretary of State of the State of Delaware and the Trust Agreement pursuant to which its assets are held and its business carried on by its trustees for the benefit of the beneficial owners of interests in the trust assets. Holders of Trust Securities will be deemed beneficial owners of the assets of the Trust and are entitled to the same limitations of personal liability extended to stockholders of private corporations for profit organised under the General Corporation Law of the State of Delaware, which normally issue these types of securities.

The rights of the holders of the Trust Preferred Securities, including economic rights and rights to information, voting rights and management of the Trust, are as set forth in the Trust Agreement and the Trust Act. See “Description of the Trust Preferred Securities.”

The Trust is authorised to issue up to 155,000 Trust Preferred Securities (liquidation amount €1,000 per Trust Preferred Security) and up to 50 Trust Common Securities (liquidation amount €1,000 per Trust Common Security). Of this authorised amount, one Trust Common Security has been issued, fully paid with an aggregate liquidation amount equal to €1,000 and is in the legal ownership of Banca Lombarda.

The Trust will use all the proceeds derived from the issuance of the Trust Preferred Securities to purchase the LLC Class B Preferred Securities from the LLC, and, accordingly, the assets of the Trust will consist of the LLC Class B Preferred Securities and proceeds from the sale of the Trust Common Securities.

The Trust exists exclusively for the purposes of (i) issuing and selling the Trust Securities representing undivided beneficial ownership interests in the assets of the Trust, (ii) investing the gross proceeds of the Trust Preferred Securities in the LLC Class B Preferred Securities (iii) to enter into and to enforce the rights of the Trust under the Guarantee Agreement and (iv) engaging in only those other activities necessary, convenient or incidental thereto. The Trust will not accumulate any surpluses.

Pursuant to the Trust Agreement, there will initially be five trustees (the “Trustees”) for the Trust. Three of the Trustees will be individuals who are employees or officers of, or who are affiliated with, Banca Lombarda (the “Regular Trustees”). The Property Trustee, will be a financial institution that is unaffiliated with Banca Lombarda (the “Property Trustee”). The Delaware Trustee will be an entity that maintains its principal place of business in the State of Delaware (the “Delaware Trustee”).

The initial Regular Trustees of the Trust will be Gino Trombi, Corrado Faissola and Bruno Degrandi, each of whom is an employee or officer of Banca Lombarda. Outside the Trust, (i) Gino Trombi acts as director of Banca Intesa S.p.A. and Vice President and member of the Executive Committee of the Italian Banking Association, (ii) Corrado Faissola acts as director of Italian Banking Association, National Association of Private Banks, Banca della Valle d’Aosta S.p.A., Augusta Assicurazioni S.p.A. and Prime Augusta Vita S.p.A. and (iii) Bruno Degrandi acts as director of Banca Valle d’Aosta S.p.A. and Mediocredito Lombardo S.p.A.

Initially, The Bank of New York, with its registered office at 101 Barclays Street, New York, NY 10286, will act as Property Trustee and The Bank of New York, (Delaware), a Delaware corporation with its registered office at White Clay Center, Newark, DE 19711, will act as Delaware Trustee.

Under Section 3807 of the Trust Act, a statutory business trust created under the laws of the State of Delaware is required to have a trustee resident in the State of Delaware. The Delaware Trustee does not

perform any special functions on behalf of the Trust. Under Section 3804 of the Trust Act, the Delaware Trustee may be served with legal process on behalf of the Trust.

The Property Trustee will hold title to the LLC Class B Preferred Securities for the benefit of the holders of the Trust Preferred Securities. The Property Trustee will have the power to exercise all rights, powers and privileges with respect to the LLC Class B Preferred Securities under the LLC Agreement as the holder of the LLC Class B Preferred Securities. In addition, the Property Trustee will maintain exclusive control of the property account to hold all payments received in respect of the LLC Class B Preferred Securities for the benefit of the holders of the Trust Preferred Securities. The Property Trustee will hold the Guarantee for the benefit of the holder of the Trust Preferred Securities.

In accordance with the terms of the Trust Agreement, prior to the occurrence and continuance of a Trust Enforcement Event (as defined herein), Banca Lombarda, as the holder of the Trust Common Securities, will have the right to appoint, remove or replace any of the Trustees and to increase or decrease the number of Trustees, *provided* that at least one Trustee shall be the Delaware Trustee, at least one Trustee shall be the Property Trustee and at least one Trustee shall be a Regular Trustee. After a Trust Enforcement Event occurs and so long as it is continuing, holders of the Trust Preferred Securities will have the right to appoint, remove or replace the Property Trustee and the Delaware Trustee in accordance with the terms of the Trust Agreement.

For so long as the Trust Preferred Securities remain outstanding, Banca Lombarda will covenant (i) that 100 per cent. of the Trust Common Securities will be held by Banca Lombarda or by any one or more wholly-owned subsidiaries of Banca Lombarda, (ii) not to permit, or take any action to cause, the Trust to issue debt or other securities ranking *pari passu* with or senior to the Trust Preferred Securities, (iii) to cause the Trust to remain a statutory business trust and not to voluntarily dissolve, wind up, liquidate or be terminated, except as permitted by the Trust Agreement and (iv) to use its commercially reasonable efforts to ensure that the Trust will not be classified as (x) an investment company for purposes of the 1940 Act or (y) other than a grantor trust for United States federal income tax purposes. Banca Lombarda or one or more wholly-owned subsidiaries of Banca Lombarda may transfer the Trust Common Securities to another wholly-owned subsidiary of Banca Lombarda, *provided* that prior to such transfer it has received an opinion of a nationally recognized law firm in the United States experienced in such matters to the effect that (A) the Trust will continue to be treated as a grantor trust for United States federal income tax purposes and such transfer will not cause the Trust to be classified as an association or publicly traded partnership taxable as a corporation for United States federal income tax purposes, (B) such transfer will not cause the Trust to be required to register under the 1940 Act and (C) such transfer will not adversely affect the limited liability of the holders of the Trust Preferred Securities.

Under the Services Agreement, Banca Lombarda will be obligated, among other things, to provide legal, accounting, tax and other general support services to the Trust and the LLC, to maintain compliance with all applicable U.S. and Italian local, state and federal laws, and to provide administrative, record-keeping and secretarial services for the LLC and the Trust. The fees and expenses of the LLC and the Trust, including any taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States or any other domestic taxing authority upon the LLC or the Trust, and all other obligations of the LLC and the Trust (other than with respect to the Trust Preferred Securities or the LLC Securities) will be paid by Banca Lombarda pursuant to the Services Agreement. The Services Agreement may not be terminated so long as any of the LLC Securities or the Trust Securities remain outstanding.

The location of the registered office of the Trust is c/o The Bank of New York (Delaware), White Clay Center, Newark, Delaware 19711, U.S.A.

As at the date of this Offering Circular, there are no loan capital, borrowings, indebtedness or contingent liabilities incurred by or on behalf of the Trust.

The Trust has no subsidiary undertakings.

BANCA LOMBARDA PREFERRED CAPITAL COMPANY LLC

Banca Lombarda Preferred Capital Company LLC is a limited liability company that was formed on 19 January 2000 under the Delaware Limited Liability Company Act, as amended (the “LLC Act”), pursuant to an initial limited liability company agreement. The initial limited liability company agreement will be amended and restated in its entirety on or prior to the Closing Date (such agreement, as amended and restated, the “LLC Agreement”). The LLC will issue three classes of limited liability company interests, its common securities (the “LLC Common Securities”), its Class A Preferred Securities (the “LLC Class A Preferred Securities”) and its Class B Preferred Securities (the “LLC Class B Preferred Securities,” and together with the LLC Common Securities and the LLC Class A Preferred Securities, the “LLC Securities”).

The Property Trustee will initially hold 100 per cent. of the issued and outstanding LLC Class B Preferred Securities on behalf of the holders of the Trust Preferred Securities. Banca Lombarda will initially hold 100 per cent. of the issued and outstanding LLC Common Securities. Banca Lombarda or another wholly-owned subsidiary of Banca Lombarda, will initially hold 100 per cent. of the issued and outstanding LLC Class A Preferred Securities.

The LLC will use the proceeds from the sale of the LLC Securities to make the Foreign Branch Deposit. Upon the maturity of the Foreign Branch Deposit, the LLC may reinvest the proceeds therefrom in other Eligible Investments meeting the reinvestment criteria described under the section entitled “Description of the Foreign Branch Deposit – Reinvestment Criteria.” It is expected that the aggregate annual interest payments on the Foreign Branch Deposit held by the LLC will exceed the aggregate annual Dividend payments on the LLC Class B Preferred Securities.

The LLC exists exclusively for the purposes of (i) issuing the LLC Securities, (ii) depositing the gross proceeds thereof in the Foreign Branch Deposit, (iii) reinvesting the proceeds of the Foreign Branch Deposit, upon maturity thereof, in Eligible Investments, so long as any such investment complies with the reinvestment criteria described herein and (iv) engaging in only those other activities necessary or incidental thereto.

For so long as the LLC Class B Preferred Securities remain outstanding, Banca Lombarda will covenant (i) that 100 per cent. of the LLC Common Securities will be held by Banca Lombarda or one or more other wholly-owned subsidiary of Banca Lombarda, (ii) to cause the LLC to remain a limited liability company and not to voluntarily dissolve, liquidate, wind up or be terminated, except as permitted by the LLC Agreement, and (iii) to use its commercially reasonable efforts to ensure that the LLC will not be (x) an investment company for purposes of the 1940 Act or (y) an association or a publicly traded partnership taxable as a corporation for United States federal income tax purposes.

Banca Lombarda or any wholly-owned subsidiary of Banca Lombarda may transfer the LLC Common Securities to another wholly-owned subsidiary of Banca Lombarda and Banca Lombarda or any wholly-owned subsidiary of Banca Lombarda may transfer the LLC Class A Preferred Securities to another wholly-owned subsidiary of Banca Lombarda, *provided* that, in each case, prior to such transfer it has received an opinion of a nationally recognized law firm in the United States experienced in such matters to the effect that (A) the LLC will continue to be treated as a partnership for United States federal income tax purposes and such transfer will not cause the LLC to be classified as an association or publicly traded partnership taxable as a corporation for United States federal income tax purposes, (B) such transfer will not cause the LLC or the Trust to be required to register under the 1940 Act, (C) such transfer will not adversely affect the limited liability of the holders of the LLC Class B Preferred Securities and (D) such transfer will not cause a Capital Event.

The rights of the holders of the LLC Class B Preferred Securities, including economic rights, rights to information and voting rights, are set forth in the LLC Agreement and the LLC Act. See “Description of the LLC Securities – LLC Class B Preferred Securities.”

The LLC’s business and affairs will be conducted by its Board, which will consist initially of three directors. The LLC Agreement will provide, however, that for so long as any LLC Class B Preferred Securities are

outstanding, certain amendments of the LLC Agreement, including any provisions with respect to Dividends, require the unanimous approval of all of the holders of the LLC Class B Preferred Securities, and certain other amendments of the LLC Agreement may require the approval by the affirmative vote of the Holders of not less than 66 2/3 per cent. of the aggregate liquidation amount of the outstanding LLC Class B Preferred Securities (excluding any LLC Class B Preferred Securities held by Banca Lombarda or any of its affiliates). The LLC Agreement will provide that, for as long as any LLC Class B Preferred Securities are outstanding, there will at all times be a member of the Board (the “Independent Director”) that is not also an officer, employee, director or affiliate of the Bank or any of its affiliates and who shall act exclusively on behalf of the holders of the LLC Class B Preferred Securities. See “Description of the LLC Securities – LLC Class B Preferred Securities – Voting Rights” and “– Independent Director’s Approval.”

All officers and employees of the LLC may also be officers or employees of Banca Lombarda or any other member of the Banca Lombarda Group.

The directors of LLC (whose business address is at the registered office of LLC stated below) are Gino Trombi, Corrado Faissola and Bruno Degrandi. Outside the LLC, (i) Gino Trombi acts as director of Banca Intesa S.p.A. and Vice President and member of the Executive Committee of the Italian Banking Association, (ii) Corrado Faissola acts as director of Italian Banking Association, National Association of Private Banks, Banca della Valle d’Aosta S.p.A., Augusta Assicurazioni S.p.A. and Prime Augusta Vita S.p.A. and (iii) Bruno Degrandi acts as director of Banca Valle d’Aosta S.p.A. and Mediocredito Lombardo S.p.A.

The LLC and the Trust will enter into a Services Agreement with Banca Lombarda. See “Banca Lombarda Preferred Securities Trust”.

The location of the registered office of the LLC is Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801, USA.

As at the date of this Offering Circular, there are no loan capital, borrowings, indebtedness or contingent liabilities incurred by or on behalf of the LLC.

The LLC has no subsidiary undertakings.

USE OF PROCEEDS

The net proceeds of the offering (after deducting the selling concessions and management and underwriting commissions and expenses of the offering in the aggregate amount of €1,550,000 which are payable by the Bank) are estimated to be €153,450,000. All of the proceeds from the sale of the Trust Preferred Securities will be invested by the Trust in the LLC Class B Preferred Securities. The LLC will use the proceeds from the sale of the LLC Class B Preferred Securities, together with funds contributed by the Bank in return for the LLC Class A Preferred Securities and the LLC Common Securities, respectively, to make the Foreign Branch Deposit. The Branch intends to use the Foreign Branch Deposit proceeds for general corporate purposes. See also “Offering Circular Summary – Benefits to the Banca Lombarda Group”.

DESCRIPTION OF THE TRUST PREFERRED SECURITIES

The Trust Preferred Securities will be issued pursuant to the terms of the Trust Agreement. The following summary of the material terms and provisions of the Trust Preferred Securities does not purport to be complete and is subject to the Trust Agreement and the Trust Act.

General

The Trust Preferred Securities will be serially numbered and issued in bearer form in the denomination of €1,000 and will be initially represented by a Temporary Global Certificate without attached dividend coupons ("Coupons") or talons for further Coupons ("Talons"). See "– Book-Entry Only Issuance." The Trust Common Securities will be issued in fully registered form without Coupons or Talons. The Trust Preferred Securities together with the Trust Common Securities are herein referred to as the "Trust Securities".

The Trust Agreement authorises the Regular Trustees of the Trust to issue the Trust Preferred Securities, which represent undivided beneficial ownership interests in the assets of the Trust. Title to the LLC Class B Preferred Securities will be held by the Property Trustee for the benefit of the holders of the Trust Preferred Securities. The Trust Agreement does not permit the Trust to acquire any assets other than the LLC Class B Preferred Securities or the issuance by the Trust of any securities other than the Trust Securities or the incurrence of any indebtedness by the Trust. The payment of Dividends by the Trust, and payments by the Trust upon redemption of the Trust Preferred Securities or liquidation of the Trust, are irrevocably and unconditionally guaranteed by the Bank to the extent described under "Description of the Guarantee Agreement." The Guarantee Agreement will be held by the Property Trustee for the benefit of the holders of the Trust Preferred Securities.

Except as set forth below, title to the Trust Preferred Securities and Coupons and Talons will pass by delivery. The Trust, the LLC, the Bank and the Paying Agent (as defined below) may deem and treat the bearer of any Trust Preferred Security or Coupon or Talon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes except in the case of any Global Certificate as described in the immediately succeeding paragraph.

For so long as any of the Trust Preferred Securities are represented by a Global Certificate, each person who is for the time being shown in the records of the operator of Euroclear or of Clearstream, as the holder of a particular liquidation amount of Trust Preferred Securities (in which regard any certificate or other document issued by Euroclear or Clearstream as to the liquidation amount of such Trust Preferred Securities standing to the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Trust, the Property Trustee, the LLC and the Bank and the Paying Agent as the holder of such liquidation amount of such Trust Preferred Securities for all purposes other than with respect to the payment of Dividends and other distributions thereon, the right to which shall be vested, as against the Trust, the Property Trustee, the LLC and the Bank and the Paying Agent solely in the bearer of such Global Certificate in accordance with and subject to its terms (and the expressions "holder" and "holder of the Trust Preferred Securities" shall be construed accordingly). Trust Preferred Securities which are represented by a Global Certificate will be transferable only in accordance with the rules and procedures of Euroclear and Clearstream, as the case may be. See "– Book-Entry Only Issuance."

The Trust Preferred Securities are undated and accordingly have no final maturity date and may not be redeemed except as described under "Redemption" and "Redemption Procedures".

Dividends

Dividends ("Dividends") on the Trust Preferred Securities will accrue at a fixed rate (the "Fixed Dividend Rate") per annum of 8.17 per cent. until and including 10 March 2010 (the "Dividend Re-set Date"), and thereafter at a floating rate per annum (each a "Floating Dividend Rate") of 3.375 per cent. above Euro Inter-bank Offered Rate for three-month euro deposits ("EURIBOR"), of the liquidation amount of €1,000 per Trust Preferred Security. Unless a No-Payment Event has occurred and is continuing, Dividends on the

Trust Preferred Securities will be payable annually in arrears on 10 March each year commencing 10 March 2001 until and including the Dividend Re-set Date, and thereafter quarterly in arrears on the tenth day of March, June, September and December, commencing 10 June 2010 (each a “Dividend Payment Date”). Dividends will not be cumulative and Dividend payments which are not declared or deemed declared on the LLC Class B Preferred Securities will not accumulate or compound from Dividend Period to Dividend Period. This means that, except as otherwise set forth below, if Dividends are not declared or deemed declared on the LLC Class B Preferred Securities in full on any Dividend Payment Date, holders of the Trust Preferred Securities will not, and will have no right to, receive that Dividend at any time, even if Dividends or other distributions are paid in the future.

A “Dividend Period” is a period from and including the date of the original issuance of the Trust Preferred Securities (or the LLC Class B Preferred Securities, as the case may be) in the case of the first Dividend Period or, in all other cases, a Dividend Payment Date with respect to the Trust Preferred Securities or the LLC Class B Preferred Securities to but excluding the next succeeding Dividend Payment Date for such security.

Prior to the Dividend Re-set Date, the amount of Dividends payable at the Fixed Dividend Rate will be computed on the Actual/Actual Basis (as defined below). On or after the Dividend Re-set Date, the amount of Dividends payable at the Floating Dividend Rate (each a “Floating Rate Dividend”) will be calculated on the basis of the actual number of days in the relevant Dividend Period divided by 360 and rounding the resulting figure upwards to the nearest cent.

“Actual/Actual Basis” means:

- (i) if the Accrual Period is equal to or shorter than the Dividend Period during which it falls, the Actual/Actual Basis will be the number of days in the Accrual Period divided by the product of (x) the number of days in such Dividend Period and (y) the number of Dividend Periods normally ending in any year; and
- (ii) if the Accrual Period is longer than one Dividend Period, the Actual/Actual Basis will be the sum of (x) the number of days in such Accrual Period falling in the Dividend Period in which it begins divided by the product of (A) the number of days in such Dividend period and (B) the number of Dividend Periods normally ending in any year and (y) the number of days in such Accrual Period falling in the next Dividend Period divided by the product of (A) the number of days in such Dividend Period and (B) the number of Dividend Periods normally ending in any year,

where:

“Accrual Period” means the relevant period for which Dividends are to be calculated (from and including the first such day to but excluding the last); and “Determination Period” means the period from, and including, 10 March in any year to, but excluding, the next 10 March.

For the purposes of calculating the Floating Rate Dividends on the Trust Preferred Securities on or after the Dividend Re-set Date, EURIBOR shall be calculated as follows:

- (i) On the second Business Day before the beginning of each Dividend Period the Calculation Agent (as defined below) will determine the offered rate for three-month Euro deposits as at 11.00 a.m. (Central Europe time) on the Dividend Payment Date in question. Such offered rate will be that which appears on the display designated as page “248” on the Bridge/Telerate Monitor (or such other page or service as may replace it for the purpose of displaying Euro-zone interbank offered rates of major banks for euro deposits). EURIBOR for such Dividend Period shall be the rate which so appears, as determined by the Calculation Agent.
- (ii) If the offered rate so appearing is replaced by the corresponding rates of more than one bank then subparagraph (i) shall be applied, with any necessary consequential changes, to the arithmetic mean (rounded, if necessary, up to the nearest 0.00001 per cent. with 0.000005 per cent. being rounded upwards) of the rate (being at least two) which so appear, as determined by the Calculation Agent. If for any other reason such offered rate does not so appear, or if the relevant page is unavailable, the

Calculation Agent will request each of the banks whose offered rates would have been used for the purposes of the relevant page if the event leading to the application of this sub-paragraph (ii) had not happened or any duly appointed substitute reference bank acting in each case through its principal Euro-zone office (the “Reference Banks”) to provide the Calculation Agent with its offered quotation to leading banks for euro deposits in Euro-zone for the period of three-months as at 11.00 a.m. (Central European time) on the Dividend Payment Date in question. EURIBOR for such Dividend Period shall, subject as provided below, be the arithmetic mean (rounded, if necessary, up to the nearest 0.00001 per cent.) of such quotations (or of such of them, being at least two, as are so provided), as determined by the Calculation Agent.

- (iii) If on any Dividend Payment Date one only or none of the Reference Banks provides such quotation, EURIBOR for the next Dividend Period shall, subject as provided below, be whichever is the higher of:
 - (x) EURIBOR determined as aforesaid and as in effect for the last preceding Dividend Period to which one of the preceding sub-paragraphs shall have applied; and
 - (y) the rate per annum which the Calculation Agent determines to be either (aa) the arithmetic mean (rounded, if necessary, up to the nearest 0.00001 per cent. with 0.000005 per cent. being rounded upwards) of the euro lending rates which Euro-zone banks selected by the Calculation Agent are quoting, on the relevant Dividend Payment Date, for the next period of three-months, to the Reference Banks or those of them (being at least two in number) to which such quotations are, in the opinion of the Calculation Agent being so made, or (bb) if the Calculation Agent can determine no such arithmetic mean, the lowest euro lending rate which major Euro-zone banks selected by the Calculation Agent are quoting on such Dividend Payment Date to leading European banks for the next period of three-months, except that, if the banks so selected by the Calculation Agent are not quoting as mentioned above, EURIBOR shall be determined in accordance with and as specified in (x) above.

“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 Communities (signed in Rome on 25th March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7th February 1992).

The Calculation Agent will cause the Floating Dividend Rate and the amount of the Floating Rate Dividend for each Dividend Period beginning on or after the Dividend Re-set Date and the relevant Dividend Payment Date to be notified to the holders as soon as possible after their determination but in no event later than the fourth Business Day thereafter.

The Trust will procure that from the third Business Day (as defined below) prior to the Dividend Re-set Date and so long as any of the Trust Preferred Securities remains outstanding there shall at all times be a Calculation Agent for the purposes of the Trust Preferred Securities. The Trust may terminate the appointment of any Calculation Agent. In the event of any such termination or the appointed office of any bank being unable or unwilling to continue to act as Calculation Agent or failing duly to determine the Floating Dividend Rate and the amount of Floating Rate Dividend for any Dividend Period commencing on or after the Dividend Re-set Date, the Trust will appoint the Euro-zone office of such other leading bank engaged in the Euro-zone interbank market to act in its place. The Calculation Agent may not resign its duties without a successor having been appointed. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Calculation Agent for the purposes of this paragraph will (in the absence of willful default, bad faith or manifest error) be binding on the Trust, the LLC, the Paying Agent and the holders of the Trust Preferred Securities.

Dividends on the Trust Preferred Securities will be paid to the extent that the Trust has funds legally available therefor. Amounts available to the Trust for the payment of Dividends and other distributions to the holders of the Trust Preferred Securities will be limited to payments received by the Trust from the LLC with respect to the LLC Class B Preferred Securities or, under certain circumstances, from the Bank under the Guarantee Agreement. Dividends on the LLC Class B Preferred Securities will be paid only if, as and when declared (or deemed declared) by the LLC Board. See “Description of the LLC Securities – LLC

Class B Preferred Securities – Dividends.” If Dividends on the Trust Preferred Securities are not paid, notice of non-payment shall be provided in the manner indicated under “– Notices.”

All rights of the holders of LLC Class B Preferred Securities (and, consequently, holders of the Trust Preferred Securities) to receive Dividends in respect of the LLC Class B Preferred Securities shall be permanently extinguished and the obligation of the Bank to pay Dividends (except for such obligation under the Guarantee Agreement) shall be permanently cancelled in the event the common shares (and savings shares) and the preference shares of the Bank are fully cancelled by virtue of a reduction to zero of the share capital of the Bank.

Dividends on the Trust Preferred Securities will be payable to the bearer thereof on the relevant Dividend Payment Date or other date of distribution. Dividends on the Trust Common Securities will be payable to the holders thereof as they appear on the books and records of the Trust on the relevant record dates, which will be one Business Day prior to the relevant Dividend Payment Date or other distribution date. Dividends on the Trust Preferred Securities will be paid through the Property Trustee who will hold amounts received in respect of the LLC Class B Preferred Securities in the property account for the benefit of the holders of the Trust Preferred Securities and through the Paying Agent and any other paying agent appointed by the Trust pursuant to an agency agreement (the “Agency Agreement”) to be dated the Closing Date. Subject to any applicable laws and regulations and the provisions of the Trust Agreement, each such payment on the Trust Preferred Securities will be made as described under “– Book-Entry Only Issuance – Payment” below. In the event that any date on which Dividends are payable on the Trust Preferred Securities is not a Business Day, payment of the Dividends payable on such date will be made on the next succeeding day which is a Business Day (without any interest or other payment in respect of the Dividends subject to such delay), against presentation of the Coupon therefor (in the event definitive Trust Preferred Securities are issued) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case, with the same force and effect as if made on the date such payment was originally payable.

“Business Day” means any day on which commercial banks and foreign exchange markets settle payments in London and the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET) System is operating.

Payment of Additional Amounts

All payments made by or on behalf of the Trust in respect of the Trust Preferred Securities will be made without withholding or deduction for or on account of any Relevant Tax paid by or on behalf of the Trust, unless the withholding or deduction of such Relevant Tax is required by law. In that event, the Trust will pay, as further Dividends, such Additional Amounts as may be necessary in order that the net amounts received by the holders of the Trust Preferred Securities after such withholding or deduction will equal the amount which would have been received in respect of the Trust Preferred Securities in the absence of such withholding or deduction, except that no such Additional Amounts will be payable to a holder of Trust Preferred Securities (or to a third party on the holder’s behalf) with respect to any Trust Preferred Securities to the extent that such Relevant Tax is imposed or levied by virtue of such holder (or the beneficial owner of such Trust Preferred Securities) (i) having some connection with the Relevant Jurisdiction, other than being a holder (or beneficial owner) of such Trust Preferred Securities or (ii) not having made a declaration of non-residence in, or other lack of connection with, the Relevant Jurisdiction or any similar claim for exemption, if the Bank or its agent has provided the beneficial owner of such Trust Preferred Securities or its nominee with at least 60 days’ prior written notice of an opportunity to make such a declaration or claim.

Trust Enforcement Events

The occurrence, at any time, of (i) non-payment of Dividends on the Trust Preferred Securities for any Dividend Period (other than pursuant to a No-Payment Event), (ii) a default by the Bank in respect of any of its obligations under the Guarantee Agreement with respect to the Trust Preferred Securities, (iii) the non-payment within one day following the making of a claim under the Guarantee Agreement by the Property Trustee or a holder of the Trust Preferred Securities, or (iv) an LLC Enforcement Event with respect to the LLC Class B Preferred Securities will constitute an enforcement event under the Trust Agreement with

respect to the Trust Preferred Securities (a “Trust Enforcement Event”); *provided* that, pursuant to the Trust Agreement, the holder of the Trust Common Securities will be deemed to have waived any Trust Enforcement Event with respect to the Trust Common Securities until all Trust Enforcement Events with respect to the Trust Preferred Securities have been cured, waived or otherwise eliminated. Until every Trust Enforcement Event with respect to the Trust Preferred Securities has been so cured, waived or otherwise eliminated, the Property Trustee will be deemed to be acting solely on behalf of the holders of the Trust Preferred Securities and only the holders of the Trust Preferred Securities will have the right to direct the Property Trustee with respect to certain matters under the Trust Agreement and the Guarantee Agreement. See “Description of the LLC Securities – LLC Class B Preferred Securities – Voting Rights” and “– Independent Director’s Approval.”

Upon the occurrence of a Trust Enforcement Event (a) the Property Trustee, as the holder of the LLC Class B Preferred Securities, shall have the right to enforce the terms of the LLC Class B Preferred Securities, including without limitation, (i) the right to request the Independent Director to cause the LLC to enforce the rights of the LLC under the Foreign Branch Deposit; and (ii) the rights of the holders of the LLC Class B Preferred Securities to receive Dividends (to the extent declared or deemed declared) and liquidation or redemption proceeds on the LLC Class B Preferred Securities; and (b) the Property Trustee shall have the right to enforce the terms of the Guarantee Agreement with respect to the Trust Preferred Securities and the right to enforce the terms of the Guarantee Agreement with respect to the LLC Class B Preferred Securities.

If the Property Trustee fails to enforce its rights under the LLC Class B Preferred Securities or under the Guarantee Agreement after a holder of Trust Preferred Securities has made a written request, such holder may directly institute a legal proceeding against the LLC to enforce the Property Trustee’s rights under the LLC Class B Preferred Securities or under the Guarantee Agreement without first instituting any legal proceeding against the Property Trustee, the Trust or any other person or entity.

The Trust does not intend to publish annual reports and accounts. The Bank and the Trust are each required to file annually with the Property Trustee an officer’s certificate as to their compliance with all conditions and covenants under the Trust Agreement and specifically that no Trust Enforcement Event or other matter which is required to be brought to the Trustee’s attention has occurred.

Redemption

The Trust Preferred Securities will be redeemed when, if and to the extent that the LLC Class B Preferred Securities are redeemed. The LLC Class B Preferred Securities may be redeemed, with the prior approval of the Bank and, if then required, the Bank of Italy, by the LLC at its option, (i) in whole or in part, on any Dividend Payment Date occurring on or after 10 March 2010 at a redemption price equal to €1,000 per LLC Class B Preferred Security, plus any accumulated, accrued and unpaid Dividends (and any unpaid declared or deemed declared Dividends, if any) for the then current Dividend Period through the date of redemption, plus Additional Amounts thereon, if any (the “Redemption Price”) or (ii) in whole but not in part upon the occurrence of an LLC Special Event, at the Redemption Price on any Dividend Payment Date, if such occurrence is on or after 10 March 2010, or at the Special Redemption Price (as defined below) at any time, if such occurrence is prior to 10 March 2010 (“Special Redemption Date”). Upon any such redemption of the LLC Class B Preferred Securities, the proceeds from such repayment shall simultaneously be applied to redeem a corresponding aggregate liquidation amount of Trust Preferred Securities; *provided* that holders of the Trust Preferred Securities shall be given not less than 30 nor more than 60 days’ notice of such redemption. An “LLC Special Event” means (i) a Capital Event, (ii) a Tax Event with respect to the LLC or (iii) an Investment Company Event with respect to the LLC. See “Description of the LLC Securities – LLC Class B Preferred Securities – General,” and “– LLC Enforcement Events.” Any LLC Class B Preferred Securities or Trust Preferred Securities that are redeemed will be cancelled and not reissued following their redemption.

“Special Redemption Price” means the greater of (i) the liquidation amount of €1,000 per LLC Class B Preferred Security and (ii) the sum, as determined by the Quotation Agent (as defined herein) of the present value of the €1,000 liquidation amount per LLC Class B Preferred Security at 10 March 2010, together with the present values of the scheduled Dividends on the LLC Class B Preferred Securities from the Special Redemption Date to 10 March 2010 (the “Remaining Life”), in each case discounted to the Special Redemption Date on an annual basis at the German Bund Rate plus 50 basis points, plus in the case of either

(i) or (ii), any accumulated, accrued and unpaid Dividends (and any unpaid declared or deemed declared Dividends, if any) for the current Dividend Period through the date of redemption, plus Additional Amounts thereon, if any.

“German Bund Rate” means, with respect to any Special Redemption Date, the rate per annum equal to the equivalent yield to maturity of the Comparable German Bund Issuer, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such Special Redemption Date.

“Comparable German Bund Issue” means the German Bund security selected by the Quotation Agent as having a maturity comparable to the Remaining Life of the Trust Preferred Securities to be redeemed that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Trust Preferred Securities.

“Comparable German Bund Price” means, with respect to any Special Redemption Date, (A) the average of the Reference German Bund Dealer Quotations for such Special Redemption Date, after excluding the highest and lowest such Reference German Bund Dealer Quotations, or (B) if the Quotation Agent obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations.

“Reference German Bund Dealer Quotations” means, with respect to each Reference German Bund Dealer and any Special Redemption Date, the average as determined by the Quotation Agent, of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by such Reference German Bund Dealer at 3.30 pm (Frankfurt, Germany time) on the third business day preceding such Special Redemption Date.

“Bund” means government bonds issued by the German government or another government debt security that is the relevant benchmark security for pricing the amount payable in euros upon redemption of the Trust Preferred Securities, as determined by the Quotation Agent in accordance with customary financial practice.

“Quotation Agent” means Lehman Brothers International (Europe) and its successors, *provided, however*, that if the foregoing shall cease to be a primary bund dealer in Frankfurt, the LLC shall appoint another Quotation Agent that is a primary bund dealer in Frankfurt.

If, at any time, a Trust Special Event shall occur and be continuing, the Regular Trustees shall, within 90 days following the occurrence of such Trust Special Event, elect to either (i) dissolve the Trust upon not less than 30 nor more than 60 days’ notice to the holders of Trust Securities and upon not less than 30 nor more than 60 days’ notice to, and consultation with, Euroclear and Clearstream, with the result that, after satisfaction of creditors of the Trust, if any, LLC Class B Preferred Securities would be distributed on a *pro rata* basis to the holders of the Trust Preferred Securities in liquidation of such holders’ interest in the Trust, *provided, however*, that, if at the time there is available to the Trust the opportunity to eliminate, within such 90-day period, the Trust Special Event by taking some ministerial action, such as filing a form or making an election, or pursuant to some other similar reasonable measures which in the sole judgment of the Bank has, or will cause, no adverse effect on the LLC, the Trust, the Bank or the holders of the Trust Preferred Securities and will involve no material costs, the Trust will pursue such measure in lieu of dissolution or (ii) cause the Trust Preferred Securities to remain outstanding, *provided* that in the case of clause (ii), the Bank shall pay any and all expenses incurred or payable by the Trust attributable to the Trust Special Event.

A “Trust Special Event” means (i) a Tax Event solely with respect to the Trust, but not with respect to the LLC or (ii) an Investment Company Event solely with respect to the Trust, but not with respect to the LLC.

A “Tax Event” means the receipt by the Bank of an opinion of a nationally recognized law firm or other tax adviser in the United States, Luxembourg or Italy, as appropriate, experienced in such matters, to the effect that, as a result of (i) any amendment to, or clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations promulgated thereunder) of the United States, Luxembourg or Italy or any political subdivision or taxing authority thereof or therein affecting taxation, (ii) any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such

procedures or regulations) (an “Administrative Action”) or (iii) any amendment to, clarification of, or change in the official position or the interpretation of such Administrative Action or any interpretation or pronouncement that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental, administrative or regulatory authority or body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification or change is effective, or which pronouncement or decision is announced, on or after the date of issuance of the Trust Preferred Securities and the LLC Preferred Securities, there is more than an insubstantial risk that (A) if a payment in respect of the Trust Preferred Securities or the LLC Class B Preferred Securities were to be due (whether or not the same is in fact then due) on or before the next Dividend Payment Date the Trust or the LLC, as the case may be, would be unable to make such payment without having to pay Additional Amounts, or (B) if a payment in respect of the Foreign Branch Deposit were to be due (whether or not the same is in fact then due) on or before the next interest payment date in respect of the Foreign Branch Deposit, the Branch would be unable to make such payment without having to pay Additional Amounts, or (C) if a payment under the Guarantee Agreement were to be due (whether or not the same is in fact then due) on or in respect of the next Dividend Payment Date, the Bank would be unable to make such payments without having to pay Additional Amounts, or (D) if the treatment of any of the Bank’s items of income, gain, loss deduction or expense, or the treatment of any item of income, gain, loss deduction or expense related to the Foreign Branch Deposit as reflected on the tax returns (including estimated returns) filed (or to be filed) by the Bank, will not be respected by a taxing authority, as a result of which, the Bank is or will be subject to more than a *de minimus* amount of additional taxes, duties or other governmental charges or civil liabilities; *provided, however*, that none of the foregoing events shall constitute a Tax Event if such event or events may be avoided by the Bank, Banco di Brescia, the Trust or the LLC taking reasonable measures under the circumstances.

“Capital Event” means that the Bank is notified by the Bank of Italy to the effect that the LLC Class B Preferred Securities may not be included in the consolidated Tier 1 capital of the Group unless such notification is the result of the reinvestment of the proceeds from the Foreign Branch Deposit in other Eligible Investments, in which case such event shall not constitute a “Capital Event.”

An “Investment Company Event” means that the Bank shall have requested and received an opinion of a nationally recognized United States law firm experienced in such matters to the effect that there is more than an insubstantial risk that the Trust or the LLC is or will be considered an “investment company” within the meaning of the 1940 Act, as a result of any judicial decision, any pronouncement or interpretation (irrespective of the manner made known), the adoption or amendment of any law, rule or regulation, any notice or announcement (including any notice or announcement of intent to adopt such rule or regulation) by any United States legislative body, court, governmental agency, or regulatory authority.

If the LLC Class B Preferred Securities are distributed to the holders of the Trust Preferred Securities, the Bank will use its commercially reasonable efforts to cause the LLC Class B Preferred Securities to be listed on the London Stock Exchange or on such other international securities exchange or similar organization as the Trust Preferred Securities are then listed or quoted. The LLC Class B Preferred Securities presently are not listed on either such exchange or any other securities exchange.

Upon dissolution of the Trust, on the date fixed for any distribution of LLC Class B Preferred Securities, (i) the Trust Preferred Securities will no longer be deemed to be outstanding and (ii) certificates representing Trust Preferred Securities will be deemed to represent the LLC Class B Preferred Securities having an aggregate liquidation amount equal to the aggregate liquidation amount of such Trust Preferred Securities until such certificates are presented to the LLC or its agent for exchange.

Redemption Procedures

If the Trust gives a notice of redemption in respect of Trust Preferred Securities (which notice will be irrevocable), and if the LLC or the Bank has paid to the Property Trustee a sufficient amount of cash in connection with the related redemption of the LLC Class B Preferred Securities, then, by 9.00 a.m., New York time, on the redemption date, the Property Trustee will irrevocably deposit with the Common Depositary funds sufficient to pay the amount payable on redemption of book-entry certificates and will give the Common Depositary irrevocable instructions and authority to pay such amount to holders of the Trust

Preferred Securities. See “—Book-Entry Only Issuance.” If notice of redemption shall have been given and funds are deposited as required, then upon the date of such deposit, all rights of holders of such Trust Preferred Securities so called for redemption will cease, except the right of the holders of such Trust Preferred Securities to receive the Redemption Price or the Special Redemption Price, but without interest on such Redemption Price or Special Redemption Price. In the event that the Trust Preferred Securities do not remain in book-entry form and all of the outstanding Trust Preferred Securities are to be redeemed, the amount payable upon such redemption will be payable upon surrender of such definitive Trust Preferred Securities. In the event that any date fixed for redemption of Trust Preferred Securities is not a Business Day, then payment of the amount payable on such date will be made on the next succeeding day which is a Business Day (without any interest or other payment in respect of the amount payable due to such delay), except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.

In the event that fewer than all of the outstanding Trust Preferred Securities are to be redeemed, the Trust Preferred Securities will be redeemed in accordance with the procedures of the Common Depositary. See “— Book-Entry Only Issuance.” In the event that the Trust Preferred Securities do not remain in book-entry form and fewer than all of the outstanding Trust Preferred Securities are to be redeemed, the Trust Preferred Securities shall be redeemed on a *pro rata* basis or pursuant to the rules of the London Stock Exchange or any other securities exchange on which the Trust Preferred Securities are then listed.

Purchases of Trust Preferred Securities

Subject to the foregoing and applicable law (including, without limitation, United States federal securities laws), the Bank or its subsidiaries may at any time and from time to time purchase outstanding Trust Preferred Securities by tender, in the open market or by private agreement.

Subordination of Trust Common Securities

Payment of Dividends and other distributions, amounts on redemption or amounts upon liquidation of the Trust shall be made *pro rata* based on the liquidation amount of the Trust Securities; *provided, however*, that upon the occurrence and during the continuance of an event of default under the Guarantee Agreement, holders of the Trust Preferred Securities will have a preference over the holders of the Trust Common Securities with respect to payments of Dividends and other distributions, amounts upon redemption or amounts upon liquidation of the Trust.

In the case of any Trust Enforcement Event, the holder of Trust Common Securities will be deemed to have waived any such Trust Enforcement Event until every Trust Enforcement Event with respect to the Trust Preferred Securities has been cured, waived or otherwise eliminated. Until all Trust Enforcement Events with respect to the Trust Preferred Securities has been so cured, waived or otherwise eliminated, the Property Trustee shall act solely on behalf of the holders of the Trust Preferred Securities and not on behalf of the holder of the Trust Common Securities, and only the holders of the Trust Preferred Securities will have the right to direct the Property Trustee to act on their behalf.

Liquidation Distribution Upon Dissolution

In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Trust (each a “Trust Liquidation”), the holders of the Trust Securities will be entitled to receive out of the assets of the Trust, after satisfaction of liabilities to creditors, if any, the LLC Class B Preferred Securities on a *pro rata* basis, except that the holders of Trust Common Securities will receive such distribution only, in the limited circumstances described above under “— Subordination of Trust Common Securities.”

Pursuant to the Trust Agreement, the Trust shall dissolve (i) upon the bankruptcy of the Bank or the LLC, (ii) upon the filing of a certificate of cancellation with respect to the LLC, (iii) if a majority of the outstanding Trust Preferred Securities, voting together as a single class, approve dissolution, (iv) upon the distribution of all of the LLC Class B Preferred Securities to holders of the Trust Preferred Securities upon the occurrence of a Trust Special Event, (v) upon the entry of a decree of a judicial dissolution of the LLC or the Trust, or (vi) upon the redemption of all of the Trust Preferred Securities *provided, however*, that the

Trust shall, to the fullest extent permitted by law, not be dissolved until all claims of the holders of the Trust Preferred Securities under the Guarantee Agreement shall have been paid in full pursuant to the terms of the Guarantee Agreement.

Voting Rights

Except as described herein, under the Trust Act and under “Description of the Guarantee Agreement – Amendment” and as otherwise required by law and the Trust Agreement, the holders of the Trust Preferred Securities will have no voting rights.

Subject to the requirement of the Property Trustee obtaining a tax opinion as set forth in the last sentence of this paragraph, the holders of a majority of the outstanding Trust Preferred Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Property Trustee, or direct the exercise of any trust or power conferred upon the Property Trustee under the Trust Agreement, including the right to direct the Property Trustee, as holder of the LLC Class B Preferred Securities, to (i) exercise the remedies available to it under the LLC Agreement as a holder of the LLC Class B Preferred Securities, (ii) consent to any amendment, modification or termination of the LLC Agreement or the LLC Class B Preferred Securities where such consent shall be required; *provided, however*, that, where a consent or action under the LLC Agreement would require the consent or act of the holders of more than a majority of the LLC Class B Preferred Securities affected thereby, only the holders of the percentage of the aggregate number of the Trust Preferred Securities outstanding which is at least equal to the percentage of the LLC Class B Preferred Securities required under the LLC Agreement may direct the Property Trustee to give such consent or take such action on behalf of the Trust, and (iii) direct the Property Trustee with respect to matters relating to the replacement of the Independent Director. See “Description of the LLC Securities – LLC Class B Preferred Securities – Voting Rights.” Except with respect to directing the time, method and place of conducting a proceeding for a remedy as described above, the Property Trustee shall be under no obligation to take any of the actions described in clauses (i), (ii) or (iii) above unless the Property Trustee has obtained an opinion of independent United States tax counsel to the effect that as a result of such action, the Trust will not fail to be classified as a grantor trust for United States federal income tax purposes and that after such action each holder of Trust Preferred Securities will continue to be treated as owning an undivided beneficial ownership interest in the LLC Class B Preferred Securities.

Any required approval or direction of holders of Trust Preferred Securities may be given at a separate meeting of holders of Trust Preferred Securities convened for such purpose or pursuant to a written consent. The Regular Trustees will cause a notice of any meeting at which holders of Trust Preferred Securities are entitled to vote, or of any matter upon which action by written consent of such holders is to be taken, to be published. See “– Notices.” Each such notice will include a statement setting forth the following information: (i) the date of such meeting or the date by which such action is to be taken; (ii) a description of any resolution proposed for adoption at such meeting on which such holders are entitled to vote or of such matter upon which written consent is sought; and (iii) instructions for the delivery of proxies or consents. No vote or consent of the holders of Trust Preferred Securities will be required for the Trust to redeem and cancel Trust Preferred Securities or distribute LLC Class B Preferred Securities to such holders in accordance with the Trust Agreement.

Notwithstanding that holders of Trust Preferred Securities are entitled to vote or consent under any of the circumstances described above, any of the Trust Preferred Securities that are beneficially owned at such time by the Bank or any entity directly or indirectly controlled by, or under direct or indirect common control with, the Bank, shall not be entitled to vote or consent and shall, for purposes of such vote or consent, be treated as if such Trust Preferred Securities were not outstanding, except for the Trust Preferred Securities purchased or acquired by the Bank or its affiliates in connection with transactions effected by or for the account of customers of the Bank or any of its affiliates or in connection with the distribution or trading of or market-making in connection with such Trust Preferred Securities; *provided, however*, that persons (other than affiliates of the Bank) to whom the Bank or any of its affiliates have pledged Trust Preferred Securities may vote or consent with respect to such pledged Trust Preferred Securities pursuant to the terms of such pledge.

The procedures by which holders of Trust Preferred Securities represented by the Global Certificates may exercise their voting rights are described below. See “– Book-Entry Only Issuance.”

Holders of the Trust Preferred Securities will have no rights to appoint or remove the Regular Trustees, who may be appointed, removed or replaced solely by the Bank, as the holder of all of the Trust Common Securities.

Merger, Consolidation or Amalgamation of the Trust

The Trust may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, any corporation or other entity.

Modification of the Trust Agreement

The Trust Agreement may be modified and amended if approved by a majority of the Regular Trustees (and in certain circumstances the Property Trustee and the Delaware Trustee), *provided, that* if any proposed amendment provides for, or the Regular Trustees otherwise propose to effect, (i) any action that would materially adversely affect the powers, preferences or special rights of the Trust Securities, whether by way of amendment to the Trust Agreement or otherwise, or (ii) the dissolution or winding-up of the Trust other than pursuant to the terms of the Trust Agreement, then the holders of the Trust Securities voting together as a single class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of at least a majority of the outstanding Trust Securities affected thereby; *provided, further*; that if any amendment or proposal referred to in clause (i) above would adversely affect only the Trust Preferred Securities or the Trust Common Securities, then only the affected class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of a majority of such class of Trust Securities outstanding.

The Trust Agreement may be amended without the consent of the holders of the Trust Securities to (i) cure any ambiguity, (ii) correct or supplement any provision in the Trust Agreement that may be defective or inconsistent with any other provision of the Trust Agreement, (iii) add to the covenants, restrictions or obligations of the Bank or the Trust, (iv) conform to any change in the 1940 Act or the rules or regulations thereunder and (v) modify, eliminate and add to any provision of the Trust Agreement to such extent as may be necessary or desirable; *provided that* no such amendment shall have a material adverse effect on the rights, preferences or privileges of the holders of the Trust Preferred Securities.

Notwithstanding the foregoing, no amendment or modification may be made to the Trust Agreement if such amendment or modification would (i) cause the Trust to fail to be classified as a grantor trust for United States federal income tax purposes, (ii) cause the LLC to be classified as an association or publicly traded partnership taxable as a corporation for such purposes, (iii) reduce or otherwise adversely affect the powers of the Property Trustee, (iv) cause the Trust or the LLC to be required to register under the 1940 Act or (v) permit the Guarantee Payments to be made to anyone other than the holders of the Trust Preferred Securities to the extent that any claims of such holders under the Guarantee Agreement have not been paid in full pursuant to the terms thereof.

Book-Entry Only Issuance

Form and Denomination

The Trust Preferred Securities will initially be represented by a Temporary Global Certificate, without Coupons or Talons, which will be deposited with the common depositary for Euroclear and Clearstream (the “Common Depositary”).

If a Dividend Payment Date occurs while such Trust Preferred Securities are represented by a Temporary Global Certificate, the related Dividend payment will be made against presentation of the Temporary Global Certificate to the extent that certification of non-U.S. beneficial ownership (in the manner required by applicable United States Treasury Department regulations and in the form set out in the Temporary Global Certificate) has been received by Euroclear or Clearstream. On or after the date which is 40 days after the later of the commencement of the offering and the Closing Date (the “Exchange Date”), provided that

certification of non-U.S. beneficial ownership has been received, interests in each Temporary Global Certificate will be exchangeable for interests in a Permanent Global Certificate. No payments will be made on a Temporary Global Certificate after the Exchange Date. Payments of Dividends or other distributions with respect to a Permanent Global Certificate will be made through Euroclear and Clearstream against presentation or surrender, as the case may be, of the Permanent Global Certificate without any requirement for further certification.

If (i) the Trust Preferred Securities cease to be eligible for clearance through Euroclear and Clearstream or if either Euroclear or Clearstream (or their respective successors) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or otherwise permanently ceases business or announces an intention permanently to cease business, or (ii) upon 60 days written notice, expiring at least 30 days after the Exchange Date, from Euroclear or Clearstream (as the case may be) acting on instructions from any holder of an interest in the Permanent Global Certificate, the Trust will cause security-printed definitive Trust Preferred Securities with Coupons and Talons attached to be issued and delivered, in full exchange for the Permanent Global Certificate, to Euroclear and Clearstream for the accounts of the holders of interests in the Permanent Global Certificate. All definitive Trust Preferred Securities will be security-printed, will have attached Coupons and Talons and will be issued in minimum liquidation amount of €1,000 per Trust Preferred Security and integral multiples thereof. No definitive Trust Preferred Security delivered in exchange for a Permanent Global Certificate will be mailed or otherwise delivered to any location in the United States in connection with such exchange. An exchange for definitive Trust Preferred Securities will be made at no charge to the holders of the interests in the Permanent Global Certificate being exchanged. Notwithstanding the foregoing, from and after such time as definitive Trust Preferred Securities are issued in exchange for a Permanent Global Certificate, any remaining interest in the Temporary Global Certificate will be exchangeable only for definitive Trust Preferred Securities. Until exchanged in full, the holder of an interest in any Global Certificate shall in all respects be entitled to the same benefits as the holder of Trust Preferred Securities, Coupons and Talons, except as otherwise set forth in the terms and conditions applicable thereto.

Global Certificates and definitive Trust Preferred Securities will be issued in bearer form only. The following legend will appear on all Global Certificates, definitive Trust Preferred Securities and any Coupons or Talons attached thereto:

“THIS TRUST PREFERRED SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT AT ANY TIME BE OFFERED, SOLD, RESOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON.

ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE OF THE UNITED STATES, AS AMENDED) 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.

Payment

Payments of Dividends and other distributions with respect to the Trust Preferred Securities represented by any Global Certificate will be made to each of Euroclear and Clearstream with respect to that portion of any such Global Certificate held for its account.

The holder of the relevant Global Certificate shall be the only person entitled to receive payments with respect to Trust Preferred Securities represented by such Global Certificate, and the Trust will be discharged by payment to, or to the order of, the holder of such Global Certificate with respect to each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream as the holder of a particular liquidation amount must look solely to Euroclear and/or Clearstream, as the case may be, for his share of each payment so made by the Trust to, or to the order of, the holder of the relevant Global Certificate. No person other than the holder of the relevant Global Certificate shall have any claim against the Trust with respect to payments due on such Global Certificate.

Payments in respect of definitive Trust Preferred Securities shall be made against presentation of the Trust Preferred Security Certificate or any Coupon appertaining thereto at the specified office of the Paying Agent or any other paying agent by a Euro cheque drawn on or by transfer to a Euro account maintained by a payee with a bank in Euro-zone.

Exchange of Talons

On and after the Dividend Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Paying Agent or any other paying agent in exchange for a further Coupon sheet including a further Talon, subject to the provisions set forth under “– Prescription.” Each Talon shall be deemed to mature on the Dividend Payment Date on which the final Coupon of the relative Coupon sheet matures.

Prescription

To the extent permitted by applicable law, definitive Trust Preferred Securities, Coupons and Talons will become void unless presented for payment within a period of five years from the Relevant Date (as defined below) relating thereto. Any monies paid by the Property Trustee to the Paying Agent for the payment of Dividends or other distributions with respect to the definitive Trust Preferred Securities and remaining unclaimed when such Trust Preferred Securities, Coupons or Talons become void shall forthwith be repaid to the Trust and all liability with respect thereto shall thereupon cease.

“Relevant Date” means (A) the date on which the relevant payment first becomes due or (B) if the full amount of the monies payable has not been received by the Paying Agent on or prior to such due date, the date on which the full amount of such monies having been so received, notice to that effect shall have been given to the holders in the manner indicated under “– Notices.”

Lost, Stolen or Mutilated Certificates

In case any certificate evidencing one or more Trust Preferred Securities, Coupons or Talons shall become mutilated, defaced or apparently destroyed, lost or stolen, the Trust and the Bank may execute, and, upon the request of such Trust and the Bank, the Paying Agent shall authenticate and deliver, a new certificate evidencing such Trust Preferred Securities, Coupons or Talons, bearing a number not contemporaneously outstanding, in exchange and substitution for the mutilated or defaced certificate evidencing such Trust Preferred Securities, Coupons or Talons, or in lieu of and in substitution for the apparently destroyed, lost or stolen certificate evidencing such Trust Preferred Securities, Coupons or Talons. In every case the applicant for a substitute certificate evidencing such Trust Preferred Securities, Coupons or Talons shall furnish to the Trust and the Bank and to the Paying Agent such security or indemnity as may be required by them to indemnify and defend and to save each of them and any agent of the Trust and the Bank or the Paying Agent harmless and, in every case of destruction, loss or theft, evidence to their satisfaction of the apparent destruction, loss or theft of such certificate evidencing such Trust Preferred Securities, Coupons or Talons, and of the ownership thereof. Upon the issuance of any substitute certificate evidencing such Trust Preferred Securities, Coupons or Talons, the Trust or the Bank may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the agent) connected therewith together with such indemnity or security as is reasonably required by the Trust, the Bank and the Paying Agent mutilated or defaced, Trust Preferred Securities, Coupons or Talons must be surrendered before replacements will be issued.

Appointment of Agents

Citibank, N.A. will initially act as paying agent (the “Paying Agent”) and, effective from the Dividend Re-set Date as calculation agent (the “Calculation Agent”) for the Trust Preferred Securities upon the terms set out in the Agency Agreement. The Trust has the right at any time to vary or terminate the appointment of any paying agent or calculation agent and to appoint additional or successor paying agent or calculation agent, *provided, however*, that the Trust shall at all times maintain (i) following the Dividend Re-set Date, a Calculation Agent and (ii) for so long as the Trust Preferred Securities are listed on the London Stock Exchange, a paying agent in London.

Information Concerning the Property Trustee

The Property Trustee, prior to the occurrence of a default with respect to the Trust Preferred Securities, undertakes to perform only such duties as are specifically set forth in the Trust Agreement and, after such default, shall exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provisions, the Property Trustee is under no obligation to exercise any of the powers vested in it by the Trust Agreement at the request of any holder of Trust Preferred Securities, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The holders of Trust Preferred Securities will not be required to offer such indemnity in the event such holders, by exercising their rights, direct the Property Trustee to take any action following a Trust Enforcement Event.

Notices

All notices or communications to a holder of Trust Preferred Securities shall be published in one English language leading daily newspaper having general circulation in London (which is expected to be the *Financial Times*) or if in the opinion of Trust such publication is not practicable, in another English language leading daily newspaper having general circulation in Europe. The Trust shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange on which the Trust Preferred Securities are listed. Any such notice shall be deemed to have been given on the date of the first publication.

Notices to be given to any holder of Trust Preferred Securities shall be in writing and given by lodging the same with the Paying Agent. In addition to the requirement to publish any such notice in accordance with the immediately preceding paragraph, while any of the Trust Preferred Securities are represented by a Global Certificate, such notice may be given to any holder of a Trust Preferred Security by the Paying Agent via Euroclear and/or Clearstream, as the case may be, in such manner as the Paying Agent and Euroclear and/or Clearstream, as the case may be, may approve for this purpose.

Governing Law

The Trust Preferred Securities and the Trust Agreement will be governed by, and construed in accordance with, the laws of the State of Delaware. In relation to any legal action or proceedings arising out of or in connection with the issuance of the Trust Preferred Securities, each of the Bank, Banco di Brescia, the Branch, the LLC and the Trust has irrevocably submitted to the jurisdictions of the courts of the City of New York and the courts of England, respectively, and has appointed Law Debenture Corporate Services Limited, presently of Princes House, 95 Gresham Street, London EC2V 7LY, as its agent for service of process in England and CT Corporation System, presently of 111 Eighth Avenue, 13th Floor, New York, NY10011, U.S.A., as its agent for service of process in New York.

Miscellaneous

The Regular Trustees are authorised and directed to conduct the affairs of and to operate the Trust in such a way that the Trust will not be required to register under the 1940 Act or characterized as other than a grantor trust for United States federal income tax purposes. In this connection, the Regular Trustees are authorised to take any action, not inconsistent with applicable law, the certificate of trust or the Trust Agreement that the Regular Trustees determine in their discretion to be necessary or desirable for such purposes as long as such action does not adversely affect the interests of the holders of the Trust Preferred Securities.

DESCRIPTION OF THE LLC SECURITIES

The following summary sets forth the material terms and provisions of the limited liability company interests of the LLC, including the LLC Class B Preferred Securities. This summary is qualified in its entirety by reference to the terms and provisions of the LLC Agreement.

The LLC will issue limited liability company interests consisting of LLC Common Securities, LLC Class A Preferred Securities and LLC Class B Preferred Securities. All of the LLC Common Securities will be initially owned directly by the Bank. All of the LLC Class A Preferred Securities will always be owned by the Bank or one or more other wholly-owned subsidiaries of the Bank. All of the LLC Class B Preferred Securities will be initially owned by the Trust. See “Description of the Trust Preferred Securities.”

LLC Common Securities

General

All of the issued and outstanding LLC Common Securities are currently, and upon consummation of the offering will be, held by the Bank. For so long as the LLC Class B Preferred Securities remain outstanding, 100 per cent. of the LLC Common Securities will be held by the Bank or one or more other wholly-owned subsidiaries of the Bank.

Subject to the rights of the holders of LLC Class B Preferred Securities to replace the Independent Director, all voting rights are vested in the LLC Common Securities. Each LLC Common Security is entitled to one vote per security.

Dividends

On any Dividend Payment Date, the LLC Board may declare and make a Dividend payment to the holder of the LLC Common Securities only if all Dividends then payable in respect of the LLC Preferred Securities for the then current Dividend Period have been paid in full.

Liquidation

In the event of the dissolution, liquidation, termination or winding up of the LLC, whether voluntary or involuntary, after the payment of all debts and liabilities and after there have been paid or set aside for the holders of all the LLC Preferred Securities the full preferential amounts to which such holders are entitled, the holders of LLC Common Securities will be entitled to share equally and ratably in remaining assets, if any.

LLC Class A Preferred Securities

General

The LLC Class A Preferred Securities represent limited liability company interests in the LLC. All of the LLC Class A Preferred Securities will initially be owned directly by the Bank. Any sale, transfer or other disposition by the Bank of the LLC Class A Preferred Securities other than to a wholly-owned subsidiary of the Bank, will require the approval of the Independent Director; *further provided*, that prior to such sale, transfer or other disposition, the Bank has received an opinion of a nationally recognized law firm in the United States experienced in such matters to the effect that (A) the LLC will continue to be treated as a partnership for United States federal income tax purposes and such transfer will not cause the LLC to be classified as an association or publicly traded partnership taxable as a corporation for the United States federal income tax purposes, (B) such transfer will not cause the LLC or the Trust to be required to register under the 1940 Act, (C) such transfer will not adversely affect the limited liability of the holders of the LLC Class B Preferred Securities and (D) such transfer will not cause a Capital Event. The LLC Class A Preferred Securities are non-voting.

As the holder of the LLC Class A Preferred Securities, the Bank will not have any voting rights, except that it will have the right to direct the time, method and place of conducting any proceeding for any remedy

available to the holders of the LLC Class A Preferred Securities in respect of the Foreign Branch Deposit upon the occurrence of a Trigger Event or one of certain other No-Payment Events.

Dividends

Although there is no requirement to pay Dividends on the LLC Class A Preferred Securities, the LLC Board may declare a Dividend on the LLC Class A Preferred Securities at any time. While the failure by the LLC to pay a declared or deemed declared Dividend on the LLC Class B Preferred Securities would generally require a corresponding payment to be made by the Bank under the Guarantee Agreement, it is anticipated that a Dividend will only be paid on the LLC Class A Preferred Securities after payment of a Dividend to holders of the LLC Class B Preferred Securities. The LLC does not currently expect to pay Dividends and other distributions on the LLC Class A Preferred Securities, except that Dividends and other distributions are likely to, but need not, be made on the LLC Class A Preferred Securities following and during the continuance of a Trigger Event or one of certain other No-Payment Events. The payment of Dividends on the LLC Class A Preferred Securities is not a condition to the payment of Dividends on the LLC Class B Preferred Securities.

Liquidation

Upon liquidation of the LLC, the LLC Class A Preferred Securities will rank senior to the LLC Class B Preferred Securities and the LLC Common Securities, and, after satisfaction of liabilities of creditors, the holders of the LLC Class A Preferred Securities will be entitled to receive all the assets of the LLC including any then remaining interest in the Foreign Branch Deposit or any Eligible Investments as their liquidation distribution; *provided, however*, that upon liquidation of the LLC, the Property Trustee shall enforce the Guarantee Agreement solely for the benefit of the holders of the LLC Class B Preferred Securities. Under the terms of the LLC Agreement, and to the fullest extent permitted by law, the LLC shall not be dissolved until all claims under the Guarantee Agreement shall have been paid in full pursuant to the terms of the Guarantee Agreement. So long as the LLC Class B Preferred Securities are outstanding, the LLC will only be dissolved, liquidated or wound-up with the prior approval of the Bank of Italy, if then necessary, upon the occurrence of a Trigger Event.

LLC Class B Preferred Securities

General

The LLC Class B Preferred Securities will be represented by a global security in bearer form which will be held by the Property Trustee on behalf of the holders of the Trust Preferred Securities. See “– Form and Settlement.”

The LLC Class B Preferred Securities will rank senior to the LLC Class A Preferred Securities and senior to the LLC Common Securities with respect to the payment of Dividends. Upon liquidation, the LLC Class B Preferred Securities will rank junior and subordinate to the LLC Class A Preferred Securities. The LLC Agreement prohibits the LLC from incurring indebtedness or issuing any debt securities or any class or series of equity securities ranking senior to the LLC Class B Preferred Securities as to Dividend rights or upon dissolution, liquidation, termination or winding up of the LLC.

When issued, the LLC Class B Preferred Securities will be validly issued, fully paid and non-assessable. The holders of the LLC Class B Preferred Securities will have no preemptive rights with respect to any other securities of the LLC. The LLC Class B Preferred Securities will not be convertible into any other securities of the LLC and will not be subject to any sinking fund or other obligation of the LLC for their repurchase or retirement.

The LLC Class B Preferred Securities are undated and accordingly have no final maturity date and may not be redeemed except as described under “Redemption and Repurchase of LLC Class B Preferred Securities”.

Dividends

Holders of the LLC Class B Preferred Securities shall be entitled to receive, when, as and if declared or deemed declared by the LLC Board, out of funds legally available for the payment of Dividends, non-cumulative cash Dividends at a fixed rate per annum (the “Fixed Dividend Rate”) of 8.17 per cent. until 10 March 2010 (the “Dividend Re-set Date”), and thereafter at a floating rate per annum (each a “Floating Dividend Rate”) of 3.375 per cent. above Euro Inter-bank Offered Rate for three-month euro deposits (EURIBOR) of the liquidation amount of €1,000 per LLC Class B Preferred Security. Unless a No-Payment Event (as defined below) has occurred and is continuing, it is anticipated that Dividends will be payable annually in arrears on 10 March each year commencing 10 March 2001 until and including the Dividend Re-set Date, and thereafter quarterly in arrears on the tenth day of March, June, September and December in each year commencing 10 June 2010 (each a “Dividend Payment Date”). Dividends will not be cumulative and Dividend payments which are not declared or deemed declared will not accumulate or compound from Dividend Period to Dividend Period. This means that, except as otherwise set forth below, if a Dividend is not declared or deemed declared on any Dividend Payment Date, holders of the LLC Class B Preferred Securities (and consequently, holders of the Trust Preferred Securities) will not, and will have no right to, receive that Dividend at any time, even if Dividends or other distributions are paid in the future. In the event that any Dividend Payment Date is not a Business Day, then payment of the Dividends payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay), except that if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on the date such payment was originally payable.

A “No-Payment Event” will be deemed to have occurred if (i) the Bank does not have, according to the unconsolidated annual accounts of the Bank relating to the financial year immediately preceding the year in which a Dividend Payment Date falls or, where such accounts are not available, the last set of unconsolidated accounts approved by the Bank, net profits and/or retained earnings (“Distributable Profits”) that would be available for the payment of a dividend or the making of a distribution on any class of its equity share capital or (ii) if the Bank’s unconsolidated or consolidated total capital adequacy ratios are or would fall below the then minimum requirements of the Bank of Italy for any reason, whether as a result of the payment of a Dividend on the LLC Class B Preferred Securities or otherwise or (iii) the Bank is otherwise prohibited under applicable Italian laws or regulations from declaring a dividend or making a distribution on any class of its equity share capital or (iv) a Trigger Event has occurred. A “Trigger Event” will be deemed to have occurred if (i) proceedings are commenced for the liquidation or winding-up of (or similar proceedings with respect to) the Bank, (ii) the Bank’s common shares (and savings shares, if any) and preference shares are fully cancelled by virtue of a reduction to zero of its share capital, or (iii) the Board of Directors of the Bank reasonably determines that the erosion of the Bank’s share capital justifies a determination that a Trigger Event is about to occur.

Prior to the Dividend Re-set Date, the amount of Dividends payable at the Fixed Dividend Rate (each a “Fixed Rate Dividend”) will be computed on the Actual/Actual Basis (as defined below). On or after the Dividend Re-set Date, the amount of Dividends payable at the Floating Dividend Rate (each a “Floating Rate Dividend”) will be calculated on the basis of the actual number of days in the relevant Dividend Period divided by 360 and rounding the resulting figure upwards to the nearest cent.

“Actual/Actual Basis” means:

- (i) if the Accrual Period is equal to or shorter than the Dividend Period during which it falls, the Actual/Actual Basis will be the number of days in the Accrual Period divided by the product of (x) the number of days in such Dividend Period and (y) the number of Dividend Periods normally ending in any year; and
- (ii) if the Accrual Period is longer than one Dividend Period, the Actual/Actual Basis will be the sum of (x) the number of days in such Accrual Period falling in the Dividend Period in which it begins divided by the product of (A) the number of days in such Dividend period and (B) the number of Dividend Periods normally ending in any year and (y) the number of days in such Accrual Period falling in the next Dividend Period divided by the product of (A) the number of days in such Dividend Period and (B) the number of Dividend Periods normally ending in any year,

where:

“Accrual Period” means the relevant period for which Dividends are to be calculated (from and including the first such day to but excluding the last); and “Determination Period” means the period from, and including, 10 March in any year to, but excluding, the next 10 March.

For the purposes of calculating the Floating Rate Dividends on the LLC Class B Preferred Securities on or after the Dividend Re-set Date, EURIBOR shall be calculated as follows:

- (i) On the second Business Day before the beginning of each Dividend Period the Calculation Agent (as defined below) will determine the offered rate for three-month Euro deposits as at 11.00 a.m. (Central Europe time) on the Dividend Payment Date in question. Such offered rate will be that which appears on the display designated as page “248” on the Bridge/Telerate Monitor (or such other page or service as may replace it for the purpose of displaying Euro-zone interbank offered rates of major banks for euro deposits). EURIBOR for such Interest Period shall be the rate which so appears, as determined by the Calculation Agent.
- (ii) If the offered rate so appearing is replaced by the corresponding rates of more than one bank then sub-paragraph (i) shall be applied, with any necessary consequential changes, to the arithmetic mean (rounded, if necessary, up to the nearest 0.00001 per cent. with 0.000005 per cent. being rounded upwards) of the rate (being at least two) which so appear, as determined by the Calculation Agent. If for any other reason such offered rate does not so appear, or if the relevant page is unavailable, the Calculation Agent will request each of the banks whose offered rates would have been used for the purposes of the relevant page if the event leading to the application of this sub-paragraph (ii) had not happened or any duly appointed substitute reference bank acting in each case through its principal Euro-zone office (the “Reference Banks”) to provide the Calculation Agent with its offered quotation to leading banks for euro deposits in Euro-zone for the period of three-months as at 11.00 a.m. (Central European time) on the Dividend Payment Date in question. EURIBOR for such Dividend Period shall, subject as provided below, be the arithmetic mean (rounded, if necessary, up to the nearest 0.00001 per cent.) of such quotations (or of such of them, being at least two, as are so provided), as determined by the Calculation Agent.
- (iii) If on any Dividend Payment Date one only or none of the Reference Banks provides such quotation, EURIBOR for the next Dividend Period shall, subject as provided below, be whichever is the higher of:
 - (x) EURIBOR determined as aforesaid and as in effect for the last preceding Interest Period to which one of the preceding sub-paragraphs shall have applied; and
 - (y) the rate per annum which the Agent determines to be either (aa) the arithmetic mean (rounded, if necessary, up to the nearest 0.00001 per cent. with 0.000005 per cent. being rounded upwards) of the euro lending rates which Euro-zone banks selected by the Calculation Agent are quoting, on the relevant Dividend Payment Date, for the next period of three-months, to the Reference Banks or those of them (being at least two in number) to which such quotations are, in the opinion of the Agent being so made, or (bb) if the Calculation Agent can determine no such arithmetic mean, the lowest euro lending rate which major Euro-zone banks selected by the Calculation Agent are quoting on such Dividend Payment Date to leading European banks for the next period of three-months, except that, if the banks so selected by the Calculation Agent are not quoting as mentioned above, EURIBOR shall be determined in accordance with and as specified in (x) above.

“Euro-zone” means the region comprised of member states of the European Union that adopt the simple currency in accordance with the Treaty establishing the European Communities (signed in Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992).

“Business Day” means any day on which commercial banks and foreign exchange markets settle payments in London and the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET) System is operating.

The Calculation Agent will cause the Floating Dividend Rate and the amount of the Floating Rate Dividend for each Dividend Period beginning on or after the Dividend Re-set Date and the relative Dividend Payment Date to be notified to the holders as soon as possible after their determination but in no event later than the fourth Business Day thereafter.

If, for any reason other than the occurrence of a No-Payment Event, the Dividends are not declared on any Dividend Payment Date, then, under the terms of the LLC Agreement, such Dividends automatically will be deemed declared and authorised on such Dividend Payment Date in full.

If the LLC fails to pay, in whole or in part, a Dividend declared or deemed declared pursuant to the terms of the LLC Class B Preferred Securities, the Guarantee Agreement will provide that, subject to the limitations set forth therein, the Bank is obligated to pay or cause the LLC or the Trust, as the case may be, to pay an amount equal to such Dividend to the holder of the LLC Class B Preferred Securities or the holders of the Trust Preferred Securities.

So long as any LLC Class B Preferred Securities are outstanding, if dividends or other distributions are made by the LLC, the Bank or any Subsidiary of the Bank, as the case may be, on any Parity Securities or Junior Securities, the LLC shall be required to pay contemporaneously Dividends on the LLC Class B Preferred Securities in respect of each Dividend Period that occurs subsequent to such payment in the current fiscal year in which such dividend or other distribution has been made; *provided, however*, that if a Trigger Event or one of certain other No-Payment Events has occurred and is continuing, the LLC shall be entitled, and will be expected, to pay a dividend on the LLC Class A Preferred Securities without having to make a payment of any kind on the LLC Class B Preferred Securities.

Subject to the foregoing, if dividends or other distributions are made on Junior Securities, the amount of Dividends payable in respect of the LLC Class B Preferred Securities shall be full Dividends, and if dividends or other distributions are made on Parity Securities but not Junior Securities, the amount of Dividends payable in respect of the LLC Class B Preferred Securities shall be made on a *pro rata* basis with such Parity Securities.

All rights of the holders of the LLC Class B Preferred Securities to receive Dividends (whether declared and not paid or still to be declared) on the LLC Class B Preferred Securities shall be permanently extinguished and the obligation of the Bank to pay Dividends (except for such obligation under the Guarantee Agreement) shall be permanently cancelled in the event the common shares (and savings shares, if any) and preference shares of the Bank are fully cancelled by virtue of a reduction to zero of the share capital of the Bank.

If Dividends on the LLC Class B Preferred Securities are declared (or deemed declared) *pro rata* with dividends or other distributions on any Parity LLC Share, such Dividends shall be declared (or deemed declared) in the same proportion that the aggregate amount available for dividends or distributions on the LLC Class B Preferred Securities and such Parity LLC Share in the then current year bears to the aggregate full amount of stated annual dividends or distributions on the LLC Class B Preferred Securities and such Parity LLC Share. If such dividends or distributions on any such Parity LLC Share are not stated on an annual basis, full Dividends on the LLC Class B Preferred Securities will be declared (or deemed declared).

“Parity Securities” is a collective reference to the Parity LLC Shares and the Parity Group Shares.

“Junior Securities” is a collective reference to the Junior Shares and the Junior Group Shares.

“Parity LLC Share” means any class or series of equity securities of the LLC expressly or effectively designated as being on a parity with the LLC Class B Preferred Securities as to dividend rights and rights upon dissolution, liquidation or winding-up of the LLC, it being understood that the LLC shall only be entitled to issue Parity LLC Shares or other shares effectively ranking on a parity with or senior to the LLC Class B Preferred Securities upon satisfaction of the requirements of the LLC Agreement, including, without limitation, receipt of approval from the Independent Director as well as by a majority of the LLC Board.

“Junior LLC Share” means the LLC Common Securities and all other classes and series of equity securities of the LLC now or hereafter issued, other than Parity LLC Shares and (if any) any class or series of equity securities of the LLC expressly or effectively designated as being senior to the LLC Class B Preferred Securities as to dividend rights and rights upon dissolution, liquidation or winding-up of the LLC.

“Parity Group Share” means the most senior preferred equity securities or preferred or preference shares issued directly by the Bank or by a Subsidiary with the benefit of a guarantee or similar credit support from the Bank, but does not include any such securities or shares issued to the Bank by any such Subsidiary.

“Junior Group Share” means all classes and series of equity securities of the Bank or any Subsidiary, including its ordinary shares and savings shares, now or hereafter issued, other than any class or series of equity securities of the Bank or any Subsidiary that expressly or effectively ranks on a parity with or senior to any Parity Group Share.

“Subsidiary” means any person or entity in which the Bank, directly or indirectly, owns more than 50 per cent. of ordinary share capital or voting shares and which is consolidated with the Bank for financial reporting purposes. Therefore, both Banco di Brescia (100 per cent.-owned) and CR Tortona (60 per cent.-owned) are currently Subsidiaries for purposes of the foregoing restrictions, and, assuming the acquisition of BRE Banca is consummated, BRE Banca (to be 56.7 per cent.-owned) will become a Subsidiary.

With respect to Subsidiaries, the purpose of the foregoing restrictions is to ensure that the Subsidiaries (including less than wholly-owned Subsidiaries) are permitted to pay dividends and make distributions on all classes of their equity share capital without the need for a contemporaneous Dividend to be paid on the LLC Class B Preferred Securities, unless such class of equity share capital of the Subsidiary has the benefit of a guarantee or similar credit support from the Bank.

For the avoidance of doubt, no limitation is being placed on the ability of any such Subsidiary of the Bank to pay or make otherwise lawful dividends and other distributions on its ordinary shares or any other debt or equity capital of such Subsidiary owned by the Bank. The Bank is obligated under the Trust Agreement and the LLC Agreement to ensure that its Subsidiaries do not declare or pay any dividend or other distributions in violation of the foregoing limitations.

All the references to Dividends in this subsection shall be deemed to include Additional Amounts, if any. Except as described in this subsection, holders of the LLC Class B Preferred Securities will have no right to participate in the profits of the LLC.

Payment of Additional Amounts

All payments in respect of the LLC Class B Preferred Securities by the LLC will be made without withholding or deduction for or on account of any Relevant Tax, unless the withholding or deduction of such Relevant Tax is required by law. In that event, the LLC will pay, as further Dividends, such Additional Amounts as may be necessary in order that the net amounts received by the holders of the LLC Class B Preferred Securities after such withholding or deduction will equal the amount which would have been received in respect of the LLC Class B Preferred Securities in the absence of such withholding or deduction, except that no such Additional Amounts will be payable to a holder of LLC Class B Preferred Securities (or to a third party on the holder's behalf) with respect to any LLC Class B Preferred Securities (i) to the extent that such Relevant Tax is imposed or levied by virtue of such holder (or the beneficial owner of such LLC Class B Preferred Securities) or a holder of Trust Preferred Securities having some connection with the Relevant Jurisdiction, other than being a holder (or beneficial owner) of such LLC Class B Preferred Securities or Trust Preferred Securities or (ii) to the extent that such Relevant Tax is imposed or levied by virtue of such holder (or beneficial owner) or a holder of Trust Preferred Securities not having made a Trust Agreement of non-residence in, or other lack of connection with, the Relevant Jurisdiction or any similar claim for exemption, if the Bank or its agent has provided the beneficial owner of such LLC Class B Preferred Securities or Trust Preferred Securities or its nominee with at least 60 days' prior written notice of an opportunity to make such a Trust Agreement or claim.

Voting Rights

The LLC Class B Preferred Securities will also be non-voting, except that a majority of the outstanding LLC Class B Preferred Securities shall have the right to replace the Independent Director at any time and for any reason and to make requests of the Independent Director in respect of any of the powers or duties conferred on him in the LLC Agreement or otherwise.

No vote of the holders of the LLC Class B Preferred Securities will be required for the LLC to redeem and cancel the LLC Class B Preferred Securities in accordance with the LLC Agreement. See “– Redemption and Repurchase of LLC Class B Preferred Securities.”

Notwithstanding that holders of LLC Class B Preferred Securities are entitled to vote or consent under the limited circumstances described above, any LLC Class B Preferred Securities that are beneficially owned at such time by the Bank or any entity directly or indirectly controlled by, or under direct or indirect common control with, the Bank, shall not be entitled to vote or consent and shall, for purposes of such vote or consent, be treated as if such LLC Class B Preferred Securities were not outstanding, except for the LLC Class B Preferred Securities purchased or acquired by the Bank or its affiliates in connection with transactions effected by or for the account of customers of the Bank or any of its affiliates or in connection with the distribution or trading of or market-making in connection with such LLC Class B Preferred Securities; *provided, however*, that persons (other than affiliates of the Bank) to whom the Bank or any of its affiliates have pledged LLC Class B Preferred Securities may vote or consent with respect to such pledged LLC Class B Preferred Securities pursuant to the terms of such pledge.

LLC Enforcement Events

If one or more of the following events shall occur and be continuing (each, an “LLC Enforcement Event”): (i) non-payment of Dividends on the LLC Class B Preferred Securities for any Dividend Period (other than pursuant to a No-Payment Event), (ii) a default by the Bank in respect of any of its obligations under the Guarantee Agreement with respect to the LLC Class B Preferred Securities, (iii) an event of default with respect to Foreign Branch Deposit occurs and is continuing for 7 days or (iv) the non-payment within one day following the making of a claim by a holder of the LLC Class B Preferred Securities under the Guarantee Agreement with respect to the LLC Class B Preferred Securities, then the Property Trustee, in accordance with the LLC Agreement, for so long as the LLC Class B Preferred Securities and the Guarantee Agreement are held by the Property Trustee, will have the right, or, in the event the Property Trustee does not hold the LLC Class B Preferred Securities, holders of the outstanding LLC Class B Preferred Securities will be entitled, by ordinary resolution passed by the holders of a majority of such LLC Class B Preferred Securities present in person or by proxy at a separate meeting of such holders convened for the purpose, to enforce the terms of the LLC Class B Preferred Securities under the LLC Agreement, including without limitation: (a) (i) the right to request the Independent Director to cause the LLC to enforce the right of the LLC under the Foreign Branch Deposit, and (ii) the rights of the holders of the LLC Class B Preferred Securities to receive Dividends (to the extent declared or deemed declared), liquidation or redemption proceeds on the LLC Class B Preferred Securities; and (b) the right to enforce the terms of the Guarantee Agreement with respect to the LLC Class B Preferred Securities.

Independent Director’s Approval

The LLC Agreement will provide that, for as long as any LLC Class B Preferred Securities are outstanding, there will at all times be a member of the Board (the “Independent Director”) that is not also an officer, employee, director or affiliate of the Bank or any of its affiliates and who shall act exclusively on behalf of the holders of the LLC Class B Preferred Securities.

The Independent Director will at all times be obligated to act in the best interests of the holders of the LLC Class B Preferred Securities, a majority in interest of which will at all times be entitled to replace the Independent Director in their sole and absolute discretion.

So long as any LLC Class B Preferred Securities are outstanding, certain actions (the “Designated Actions”) by the LLC must be approved by the Independent Director as well as by a majority of the entire

LLC Board. The Designated Actions include (i) the authorization or issuance of Parity LLC Shares or any shares or other securities expressly or effectively designated as being senior to the LLC Class B Preferred Securities as to dividends or other distributions other than the LLC Class A Preferred Securities, (ii) the reinvestment of the Foreign Branch Deposit in other Eligible Investments or any amendment or modification of the LLC's investment guidelines, (iii) unless a No-Payment Event has occurred and is continuing, any payment of Dividends on any LLC Class A Preferred Securities or, in any other case, the payment of dividends or the making of distributions on Parity LLC Shares or Junior LLC Shares, (iv) redemption of Parity LLC Shares, Junior LLC Shares or LLC Class A Preferred Securities without the concurrent and permitted redemption of LLC Class B Preferred Securities, unless each Rating Agency then rating the LLC Class B Preferred Securities shall have informed the LLC in writing that the redemption or repurchase of such securities would not result in a reduction or withdrawal of the rating then assigned by such Rating Agency to the LLC Class B Preferred Securities, (v) to the fullest extent permitted by law, any dissolution, liquidation or termination of the LLC that is not concurrent with the liquidation of the Bank, (vi) any material amendment or modification of the LLC Class B Preferred Securities, the Guarantee Agreement or the Foreign Branch Deposit (or any other security, contract obligation, agreement or instrument that is an asset of the LLC), (vii) the sale, transfer or other disposition by the Bank of the Trust Common Securities, the LLC Common Securities or the LLC Class A Preferred Securities other than to a wholly-owned subsidiary of the Bank, and (viii) any other action by the LLC or the Bank that could reasonably be expected to adversely affect the interests of the holders of the LLC Class B Preferred Securities in any material respect.

If the LLC Board fails to do so, and to the extent permitted by law, the Independent Director will be entitled to take any and all such actions on behalf of the LLC in respect of the Foreign Branch Deposit, the Eligible Investments or any other right or remedy or course of action available to the LLC against the Bank, Banco di Brescia (including the Branch), any other Subsidiary of the Bank or any other party; *provided, however*, that unless required by law to do so the Independent Director shall not take any action if otherwise directed by the Property Trustee as the holder of the LLC Class B Preferred Securities.

If the Independent Director fails to enforce the LLC's rights under the Foreign Branch Deposit or those of the holders of the LLC Class B Preferred Securities under the Guarantee Agreement after a holder of the LLC Class B Preferred Securities has made a written request, such holder may directly institute a legal proceeding against the Branch to enforce the rights of the LLC under the Foreign Branch Deposit or against the Bank to enforce the rights of such holders under the Guarantee Agreement without first instituting any legal proceeding against the Independent Director, the LLC or any other person or entity. In any event, if a LLC Enforcement Event has occurred and is continuing and such event is attributable to the failure of the Branch to make any required payment when due on the Foreign Branch Deposit, then a holder of LLC Class B Preferred Securities may on behalf of the LLC directly institute a proceeding against the Branch with respect to such Foreign Branch Deposit for enforcement of payment. A holder of LLC Class B Preferred Securities may also bring a direct action against the Bank to enforce such holder's right under the Guarantee Agreement.

Notwithstanding the foregoing, under no circumstances shall the Independent Director have authority to cause the LLC Board to declare distributions on the LLC Class B Preferred Securities. Any member of the Board, including the Independent Director, shall not, by virtue of acting in such capacity, be admitted as a general partner in the LLC or otherwise be deemed to be a general partner in the LLC and shall have no liability for the debts, obligations or liabilities of the LLC.

Redemption and Repurchase of LLC Class B Preferred Securities

The LLC Class B Preferred Securities may be redeemed by the LLC, at its option, in whole or in part, at the Redemption Price on any Dividend Payment Date occurring on or after 10 March 2010, subject to receipt of the prior approval of the Bank and, if then required, the Bank of Italy. Upon the occurrence of an LLC Special Event, the LLC Class B Securities may be redeemed by the LLC, at its option, in whole but not in part, at the Redemption Price on any Dividend Payment Date, if such occurrence is on or after 10 March 2010, or at the Special Redemption Price at any time, if such occurrence is prior to 10 March 2010 ("Special Redemption Date"), in each case, with the prior approval of the Bank and, if then required, the Bank of Italy.

Any such redemption shall be upon not less than 30 nor more than 60 days' notice to the holders of the LLC Class B Preferred Securities. See "Description of the Trust Preferred Securities – Redemption."

So long as any LLC Class B Preferred Securities are outstanding, neither the Bank nor any of its affiliates will be entitled to repurchase, redeem or otherwise acquire, or set apart funds for the repurchase, redemption or other acquisition of, any Parity Securities or Junior Securities, through a sinking fund or otherwise, unless and until (i) full Dividends on all LLC Class B Preferred Securities for the most recent preceding Dividend Period is paid or a sum sufficient for payment has been paid over to the Paying Agents for payment of such Dividends and (ii) the LLC has paid a Dividend on the LLC Class B Preferred Securities at the annual dividend rate for the then current Dividend Period or sufficient funds have been paid over to the Paying Agent for the payment of such Dividend. It is an obligation of the Bank to ensure that its affiliates observe the foregoing limitations.

Payment of Redemption Price

In the event that payment of the Redemption Price or Special Redemption Price in respect of any LLC Class B Preferred Securities is improperly withheld or refused and not paid either by the LLC or by the Bank pursuant to the Guarantee Agreement, Dividends on such LLC Class B Preferred Securities, subject to certain provisions under "– Dividends," will continue to accumulate from the date fixed for redemption to the date of actual payment of such Redemption Price or Special Redemption Price.

Repurchases

The LLC or the Bank or any of the Bank's affiliates may at any time or from time to time purchase outstanding LLC Class B Preferred Securities by tender in the open market or by private agreement. If purchases are made by tender, the tender must be available to all holders of LLC Class B Preferred Securities.

Liquidation

So long as the LLC Class B Preferred Securities are outstanding, the LLC will only be dissolved, liquidated or wound-up with the prior approval of the Bank of Italy upon the occurrence of a Trigger Event. In the event of any such voluntary or involuntary liquidation, dissolution, termination or winding up of the LLC, holders of the LLC Class B Preferred Securities at the time outstanding will, subject to the limitations described herein, be entitled to receive out of assets of the LLC available for distribution to security holders after satisfaction of liabilities of creditors in accordance with applicable law, liquidation distributions in the amount of the liquidation amount of €1,000 per LLC Class B Preferred Security, plus, declared (or deemed declared) and unpaid Dividends thereon, if any, to the date of such liquidation, without any interest, it being understood that, in any such circumstance, the LLC will be entitled to make a prior liquidation distribution to the holder of the LLC Class A Preferred Securities in the amount of the Foreign Branch Deposit or any then remaining Eligible Investments.

It is anticipated that the LLC Class B Preferred Securities holders' claim in liquidation of the LLC, equal to the liquidation amount of €1,000 per LLC Class B Preferred Security, will be required to be satisfied under the terms of the Guarantee Agreement if at all.

As long as any LLC Class B Preferred Securities are outstanding, if the Bank is dissolved, liquidated or wound-up, the LLC must be dissolved, liquidated or wound-up. Under the terms of the LLC Agreement and to the fullest extent permitted by law, the LLC shall not be dissolved until all claims under the Guarantee Agreement shall have been paid in full pursuant to the terms of the Guarantee Agreement.

Merger, Consolidation or Amalgamation of the LLC

The LLC may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, any corporation or other body, except as described below or elsewhere herein. The LLC may, without the consent of the holders of the LLC Class B Preferred Securities, consolidate, amalgamate, merge with or into, or be replaced by a limited partnership,

limited liability company or trust organized as such under the laws of any state of the United States of America, *provided* that (i) such successor entity either (x) expressly assumes all of the obligations of the LLC under the LLC Class B Preferred Securities or (y) substitutes for the LLC Class B Preferred Securities other securities having substantially the same terms as the LLC Class B Preferred Securities (the “LLC Successor Securities”) so long as the LLC Successor Securities are not junior to any equity securities of the successor entity, with respect to participation in the profits, distributions and assets of the successor entity, except that they may rank junior to the LLC Class A Preferred Securities or any successor LLC Class A Preferred Securities to the same extent that the LLC Class B Preferred Securities rank junior to the LLC Class A Preferred Securities, (ii) the Branch expressly acknowledges such successor entity as the holder of the Foreign Bank Deposit, (iii) the LLC Class B Preferred Securities or any LLC Successor Securities are listed, or any LLC Successor Securities will be listed upon notification of issuance, on any national securities exchange or other organization on which the LLC Class B Preferred Securities, if so listed, are then listed, (iv) such merger, consolidation, amalgamation or replacement does not cause the Trust Preferred Securities (or, in the event that the Trust is liquidated in connection with a Trust Special Event, the LLC Class B Preferred Securities (including any LLC Successor Securities)) to be downgraded by any nationally recognized statistical rating organization in the United States, (v) such merger, consolidation, amalgamation or replacement does not adversely affect the powers, preferences and other special rights of the holders of the Trust Preferred Securities or LLC Class B Preferred Securities (including any LLC Successor Securities) in any material respect, (vi) such successor entity has a purpose substantially identical to that of the LLC, (vii) prior to such merger, consolidation, amalgamation or replacement, the LLC has received an opinion of nationally recognized law firm experienced in such matters to the effect that (A) such successor entity will be treated as a partnership, and will not be classified as an association or a publicly traded partnership taxable as a corporation, for United States federal income tax purposes, (B) such merger, consolidation, amalgamation or replacement would not cause the Trust to be classified as other than a grantor trust for United States federal income tax purposes, (C) following such merger, consolidation, amalgamation or replacement, such successor entity will not be required to register under the 1940 Act and (D) such merger, consolidation, amalgamation or replacement will not adversely affect the limited liability of the holders of the LLC Class B Preferred Securities and (viii) the Bank guarantees the obligations of such successor entity under the LLC Successor Securities at least to the extent provided by the Guarantee Agreement with respect to the LLC Class B Preferred Securities.

Form and Settlement

The LLC Class B Preferred Securities will be represented by a global security in bearer form which will be held by the Property Trustee on behalf of the holders of Trust Preferred Securities. In the event of the involuntary or voluntary dissolution, winding up or liquidation of the Trust, the LLC Class B Preferred Securities will be distributed to holders of the Trust Preferred Securities. Upon any such involuntary or voluntary dissolution, winding up or liquidation, each of the Bank and the LLC have agreed to use its reasonable efforts to cause the LLC Class B Preferred Securities to be eligible to clear and settle through Euroclear and Clearstream. If the LLC Class B Preferred Securities are eligible, the LLC Class B Preferred Securities will be distributed in global form and, if the Trust Preferred Securities are no longer in global form, the LLC Class B Preferred Securities will be distributed to such holders in definitive bearer form.

Appointment of Agents

The LLC will appoint Citibank N.A. (or if different the then Paying Agent and/or Calculation Agent in respect of the Trust Preferred Securities) as paying agent, effective from the date of distribution of the LLC Class B Preferred Securities to holders of the Trust Preferred Securities upon the occurrence of the Trust Special Event (the “Paying Agent”), and as calculation agent (the “Calculation Agent”), effective from the Dividend Re-set Date for the LLC Class B Preferred Securities upon terms set out in the Agency Agreement and will at all times maintain (i) a Quotation Agent until 10 March 2010 and (ii) following the Dividend Re-set Date, a Calculation Agent.

Governing Law

The LLC Securities and the LLC Agreement will be governed by, and construed in accordance with, the laws of the State of Delaware. In relation to any legal action or proceedings arising out of or in connection

with the issuance of the LLC Class B Securities, each of the Bank, Banco di Brescia, the Branch, the Trust and the LLC has irrevocably submitted to the jurisdictions of the courts of the City of New York and the courts of England, respectively, and has appointed Law Debenture Corporate Services Limited, presently of Princes House, 95 Gresham Street, London EC2V 7LY, as its agent for service of process in England and CT Corporation System, presently of 111 Eighth Avenue, 13th Floor, New York, NY 10011, U.S.A., as its agent for service of process in New York.

Miscellaneous

The LLC Board is authorised and directed to conduct the affairs of the LLC in such a way that (i) the LLC will not be deemed to be required to register under the 1940 Act and (ii) the LLC will not be treated as an association or as a “publicly traded partnership” (within the meaning of Section 7704 of the Code) taxable as a corporation for United States federal income tax purposes. In this connection, the LLC Board is authorised to take any action, not inconsistent with applicable law or the LLC Agreement, that the LLC Board determines in its discretion to be necessary or desirable for such purposes, so long as such action does not adversely affect the interests of the holders of the LLC Class B Preferred Securities. Any amendment of the LLC Agreement relating to Dividends, or the Guarantee Payments will require consent of each holder of the LLC Class B Preferred Securities.

DESCRIPTION OF THE GUARANTEE AGREEMENT

Set forth below is a summary of the Guarantee Agreement that will be executed and delivered by the Bank for the benefit of the holders from time to time of the Trust Preferred Securities and the holders of the LLC Class B Preferred Securities. The following summary does not purport to be complete and is subject in all respects to the provisions of the Guarantee Agreement.

General

The Bank will irrevocably agree in the Guarantee Agreement to pay in full, on a subordinated basis, to the holders of Trust Preferred Securities and the holders of LLC Class B Preferred Securities the Guarantee Payments to the extent set forth herein, as and when due, regardless of any defense, right of set-off or counterclaim which the LLC or the Trust may have or assert other than the defense of payment. Notwithstanding the foregoing, the Bank will not be required to make any Guarantee Payments to such holder(s) if a No-Payment Event has occurred and is continuing. The Bank's obligations under the Guarantee Agreement are several and independent of the obligations of the LLC with respect to the LLC Class B Preferred Securities or the obligations of the Trust with respect to the Trust Preferred Securities and the Bank shall be liable as principal and sole obligor under the Guarantee Agreement to make the following Guarantee Payments pursuant to the terms thereof (without duplication): (A)(i) any unpaid Dividends in whole or in part on the Trust Preferred Securities, to the extent such Dividends are payable or deemed payable thereon; (ii) the Redemption Price payable with respect to any Trust Preferred Securities called for redemption by the Trust; (iii) the €1,000 liquidation amount per each Trust Preferred Security, payable upon liquidation of the Trust; and (iv) any Additional Amounts payable by the Trust; and (B) (i) any unpaid Dividends on the LLC Class B Preferred Securities, to the extent declared or deemed declared; (ii) the Redemption Price payable with respect to any LLC Class B Preferred Securities called for redemption by the LLC; (iii) the €1,000 liquidation amount per each LLC Class B Preferred Security, payable upon liquidation of the LLC; and (iv) any Additional Amounts payable by the LLC, plus, in each case, interest accrued thereon from the date of making the claim under the Guarantee Agreement, in each case subject to the limitations set forth in the Guarantee Agreement.

The Guarantee Agreement in respect of the Trust Preferred Securities and the LLC Class B Preferred Securities by the Bank is intended to provide the holders thereof, with rights to Dividends and Additional Amounts and rights upon liquidation or redemption equivalent to those to which the holders thereof would be entitled if they held the most senior preferred equity securities (including savings shares) or preferred or preference shares issued directly by the Bank.

Subject to applicable law, the Bank's obligations under the Guarantee Agreement will effectively rank subordinate and junior to indebtedness of the Bank (other than any guarantee or contractual right expressed to rank *pari passu* with the Guarantee Agreement).

The Bank will not be obligated to make any payment in respect of Dividends under the Guarantee Agreement to the extent that the Trust Agreement and the LLC Agreement do not authorize such Dividends or such Dividends otherwise have not been declared or deemed to have been declared. The payment of a dividend or the making of a distribution on a Parity Security or Junior Security is not a condition precedent to the Bank's obligation under the Guarantee Agreement. Notwithstanding the restrictions on the declaration of Dividends by the LLC under the LLC Agreement, the Bank will be permitted to make payments on the LLC Class B Preferred Securities under the Guarantee Agreement at its discretion subject to applicable Italian law and regulations.

All Guarantee Payments in respect of the Trust Preferred Securities and the LLC Class B Preferred Securities will be made without withholding or deduction for or on account of any Relevant Tax, unless the withholding or deduction of such Tax is required by law. In that event, the Bank will pay such additional amounts ("Guarantor Additional Amounts") as may be necessary in order that the net amounts received by the Holders after such withholding or deduction will equal the amount which would have been received in respect of the Trust Preferred Securities or the LLC Class B Preferred Securities, in the absence of such withholding or deduction, except that no such Guarantor Additional Amounts will be payable to a holder (or a third party on its behalf) with respect to any Trust Preferred Securities or LLC Class B Preferred

Securities, to the extent that such Relevant Tax is imposed or levied by virtue of such holder (or the beneficial owner of such Trust Preferred Securities or LLC Class B Preferred Securities), (i) having some connection with the Relevant Jurisdiction, other than being a holder (or beneficial owner of such Trust Preferred Securities or LLC Class B Preferred Securities, or (ii) not having made a declaration of non-residence in, or other lack of connection with, the Relevant Jurisdiction or any similar claim for exemption, if the Bank or its agent has provided the beneficial owner of such LLC Class B Preferred Securities or Trust Preferred Securities or its nominee with at least 60 days' prior written notice of an opportunity to make such a declaration or claim.

In the event that payment of the amounts described above cannot be made by reason of any limitation referred to above, such amounts will be payable *pro rata* in proportion to the amounts that would have been payable but for such limitation.

The Property Trustee, on behalf of the holders of the Trust Preferred Securities and as holder of the LLC Class B Preferred Securities, may enforce the Guarantee Agreement directly against the Bank. If the Property Trustee fails to enforce its rights under the Guarantee Agreement after a holder of the Trust Preferred Securities, or the LLC Class B Preferred Securities, has made a written request, such holder may directly institute a legal proceeding against the Bank to enforce the Property Trustee's rights under the Guarantee Agreement without first initiating any legal proceeding against the Trust, the LLC, or any other person or entity. Pursuant to the Guarantee Agreement, the Bank will waive any right or remedy to require that any action be brought against the Trust, the LLC or any other person or entity before proceeding against the Bank.

Certain Covenants of the Bank

Issuance of Preference Shares and Guarantees

The Bank will not issue any preferred equity securities or preferred or preference shares ranking senior to its obligations under the Guarantee Agreement unless the holders of the Trust Preferred Securities and the LLC Class B Preferred Securities are given such rights and entitlements so that they actually or effectively rank *pari passu* with any such preferred equity securities or preferred or preference shares. Moreover, the Bank will not issue any guarantee in respect of any preferred equity securities or preferred or preference shares issued by any member of the Banca Lombarda Group ranking senior to its obligations under the Guarantee Agreement unless the holders of the Trust Preferred Securities and the LLC Class B Preferred Securities are given such rights and entitlements so that they actually or effectively rank *pari passu* with any such guarantee.

Payment of Dividends

The Bank will agree in the Guarantee Agreement that if any amount required to be paid in respect of any Dividends on the LLC Class B Preferred Securities or Trust Preferred Securities payable in respect of the most recent Dividend Period has not been paid, the Bank will pay such amount prior to any dividend or other payment on any share capital or instrument issued by the Bank or any other member of the Banca Lombarda Group effectively ranking junior to the LLC Class B Preferred Securities or Trust Preferred Shares.

Maintenance of Ownership and Existence of the LLC and the Trust

For so long as any Trust Preferred Securities or LLC Class B Preferred Securities remain outstanding, 100 per cent. of the LLC Common Securities and the Trust Common Securities will be held by the Bank or by one or more wholly-owned subsidiaries of the Bank. The Bank agrees that, (i) for so long as any of the LLC Class B Preferred Securities are outstanding, the Bank will not permit, or take any action to cause, the liquidation, dissolution, termination or winding up of the LLC unless the Bank is itself in liquidation and, if then required, the prior approval of the Bank of Italy to such action has been received and all claims under the Guarantee Agreement shall have been paid in full and (ii) for so long as any of the Trust Preferred Securities are outstanding, the Bank will not permit, or take any action to cause, the dissolution, liquidation, winding up or termination of the Trust, unless a Trust Special Event occurs or the Bank is itself in liquidation and, if then required, the prior approval of the Bank of Italy to such action has been received.

No Assignment

The Bank may not assign its obligations under the Guarantee Agreement, except in the case of merger, consolidation or a sale of substantially all of its assets, where the Bank is not the surviving entity.

Termination

The Guarantee Agreement shall terminate and be of no further force and effect from the earlier of (i) the payment of the redemption amount for all Trust Preferred Securities or purchase and cancellation of all Trust Preferred Securities, (ii) if the Trust Preferred Securities are no longer outstanding but clause (i) is not satisfied, the payment of the redemption amount for all LLC Class B Preferred Securities or purchase and cancellation of all LLC Class B Preferred Securities, (iii) full payment of the liquidation amount per Trust Preferred Security for all Trust Preferred Securities or (iv) if the Trust Preferred Securities are no longer outstanding but clause (i) is not satisfied, full payment of the liquidation amount per LLC Class B Preferred Security for all LLC Class B Preferred Securities; *provided, however*, that the Guarantee Agreement will continue to be effective or will be reinstated, as the case may be, if at any time payment of any sums paid under the Trust Preferred Securities, the LLC Class B Preferred Securities or the Guarantee Agreement must be restored by a holder thereof for any reason whatsoever.

Amendment

(A) Except for those changes provided for in the last sentence of this paragraph (in which case no approval will be required), and (B) except for changes to the provisions of the Guarantee Agreement in respect of the Guarantee Payments and the circumstances under which Dividends are deemed to have been declared (in which case separate approval of holders of the Trust Preferred Securities and of holders of the LLC Class B Preferred Securities is required), the Guarantee Agreement may be modified only with the prior approval of the holders of not less than 66 2/3 per cent. of the aggregate liquidation amount of the Trust Preferred Securities and not less than 66 2/3 per cent. of the aggregate liquidation amount of the LLC Class B Preferred Securities (excluding any Trust Preferred Securities and LLC Class B Preferred Securities, held by the Bank or any of its affiliates, other than Trust Preferred Securities or LLC Class B Preferred Securities purchased or acquired by the Bank or its affiliates in connection with transactions effected by or for the account of customers of the Bank or any of its affiliates in connection with the distribution or trading of or market-making in connection with such securities and except that persons (other than affiliates of the Bank) to whom the Bank or any of its subsidiaries have pledged Trust Preferred Securities or LLC Class B Preferred Securities may vote or convert with respect to such pledged securities pursuant to the terms of such pledge). The Guarantee Agreement may be amended without the consent of the holders of the Trust Preferred Securities or LLC Securities to (i) cure any ambiguity, (ii) correct or supplement any provision in the Guarantee Agreement that may be defective or inconsistent with any other provision of the Guarantee Agreement, (iii) add to the covenants, restrictions or obligations of the Bank, (iv) conform to any change in the 1940 Act or the rules or regulations thereunder and (v) modify, eliminate and add to any provision of the Guarantee Agreement to such extent as may be necessary or desirable; *provided that* no such amendment shall have a material adverse effect on the rights, preferences or privileges of the holders of the Trust Preferred Securities or LLC Class B Preferred Securities.

If the Guarantee Agreement is amended, notice thereof will be provided in the manner indicated under “Description of the Trust Preferred Securities – Notices.” A copy of the amended Guarantee Agreement, as the case may be, will be made available to holders as indicated in “General Information – Available Documents.”

Governing Law

The Guarantee Agreement will be governed by the laws of the State of New York except as to the subordination provisions which will be governed by the laws of Italy. In relation to any legal action or proceedings arising out of or in connection with the issuance of the Guarantee Agreement, the Bank has irrevocably submitted to the jurisdiction of the courts of the City of New York and the courts of England, respectively, and has appointed Law Debenture Corporate Services Limited, presently of Princes House, 95 Gresham Street, London EC2V 7LY, as its agent for service of process in England and CT Corporation System, presently of 111 Eighth Avenue, 13th Floor, New York, NY10011, U.S.A., as its agent for service of process in New York.

DESCRIPTION OF THE FOREIGN BRANCH DEPOSIT

The following summary sets forth the material terms and provisions of the Foreign Branch Deposit and is qualified in its entirety by reference to the terms and provisions of the Deposit Agreement.

General

Pursuant to the Deposit Agreements, all of the net proceeds from the issuance of the LLC Securities will be used by the LLC to make the Foreign Branch Deposit. The making of the Foreign Branch Deposit by the LLC will occur contemporaneously with the issuance of the LLC Class B Preferred Securities.

The terms of the Foreign Branch Deposit will be equivalent to those of a subordinated loan, and will provide for (i) a maturity of 10 years subject to prepayment; (ii) receipt of prior approval from the Bank of Italy prior to prepayment if prepayment occurs in the first 5 years of the deposit; (iii) monthly, quarterly or semi-annual interest payments; and (iv) prior satisfaction of all unsubordinated creditors in the event of the liquidation or winding up of Banco di Brescia.

Decisions with respect to enforcement of the Foreign Branch Deposit, and actions to be taken by the LLC upon a default by the Branch thereunder, will be made by the Independent Director or the LLC, acting on behalf of the Property Trustee, as holder of the LLC Class B Preferred Securities.

All payments in respect of the Foreign Branch Deposit will be made without withholding or deduction for or on account of any Relevant Tax, unless the withholding or deduction of such Relevant Tax is required by law. In that event, the Branch will pay, as further interest, such Additional Amounts as may be necessary in order that the net amounts received by the LLC after such withholding or deduction will equal the amount which would have been received in the absence of such withholding or deduction, except that no such Additional Amounts will be payable to the LLC (i) to the extent that such Relevant Tax is imposed or levied by virtue of such holder having some connection with the Relevant Jurisdiction, other than being a holder (or beneficial owner) of the Foreign Branch Deposit or (ii) to the extent that such Relevant Tax is imposed or levied by virtue of such holder (or beneficial owner) not having made a declaration of non-residence in, or other lack of connection with, the Relevant Jurisdiction or any similar claim for exemption, if the Branch or its agent has provided the beneficial owner of the Foreign Branch Deposit or its nominee with at least 60 days' prior written notice of an opportunity to make such a declaration or claim.

Reinvestment Criteria

Pursuant to the terms of the LLC Agreement, upon a prior notice to, and after consultation with, Euroclear and Clearstream described below, the LLC may reinvest the proceeds from the Foreign Branch Deposit upon the maturity or redemption thereof or as otherwise permitted in the instrument evidencing the Foreign Branch Deposit in one or more other Eligible Investments. Eligible Investments means one or more instruments issued by or deposited with the Bank or a wholly-owned subsidiary of the Bank or branch or agency thereof or an obligation of the Italian government or an agency thereof; *provided, however*, that the LLC may not invest the proceeds of the Foreign Branch Deposit in any investment or investments unless the aggregate quarterly income generated therefrom, when combined with any other income available for that purpose, would be at least equal to the Dividends payable by the LLC on the LLC Securities, including the LLC Class B Preferred Securities for the relevant Dividend Period. Any such Eligible Investments may be purchased by the LLC only in accordance with the investment guidelines, including that (i) any such reinvestment must be on an arm's-length basis at then-prevailing market terms, (ii) any such reinvestment will not cause the LLC to become subject to the registration requirements of the 1940 Act, (iii) with respect to any such reinvestment, the LLC shall use the same degree of care and skill in making such reinvestment decision as a prudent investor would use under the circumstances in the conduct of his or her own affairs, (iv) each rating agency then rating the Trust Preferred Securities or the LLC Class B Preferred Securities then outstanding, if then rated, will have informed the Bank in writing that such reinvestment will not result in any downgrading of the rating then assigned by such rating agency to any Trust Preferred Securities or LLC Class B Preferred Securities, (v) the holder of the LLC Common Securities shall obtain an opinion of a nationally recognized law firm or other nationally recognized tax adviser in the United States or Italy, as appropriate, experienced in such matters, to the effect that (A) the reinvestment will not cause a Tax Event

based on either (I) present applicable law or (II) any change or prospective change in applicable law to become effective at a later date and which change is known at the time the reinvestment is made, (B) the reinvestment will not cause any adverse withholding tax consequences to the applicable issuer of the investment, the LLC, the Trust or the holders of Trust Preferred Securities including the imposition of more burdensome tax identification requirements with respect to the Trust Preferred Securityholders, and (C) after the reinvestment, the LLC would continue to be treated as a partnership and not as a publicly traded partnership or association taxable as a corporation for U.S. federal income tax purposes, (vi) there was never a default on any debt obligation of the proposed issuer that was previously or is currently owned by the LLC, (vii) the applicable terms and provisions with respect to the proposed reinvestment have been determined by an independent financial advisor to be at least as favorable as terms which could be obtained by the LLC in a public offering or private placement under Rule 144A of the Securities Act of a comparable security issued by the relevant issuer and guarantees, if any, (viii) such investment may not have a stated term to maturity of longer than that specified by the Bank of Italy, and (ix) the reinvestment provides that all payments in respect of such reinvestment will be made without withholding or deduction for or on account of any Relevant Tax unless the withholding or deduction of such Relevant Tax is required by law and such issuer will pay, as further payments on such reinvestment, such additional amounts as may be necessary in order that the net amounts received by the LLC after any withholding or deduction will be sufficient for the LLC to pay any Additional Amounts that the LLC is required to pay such that every net payment in respect of Trust Preferred Securities, after withholding or deduction for any Relevant Tax will not be less than the amount otherwise required to be paid.

Upon the redemption or maturity of such Eligible Investment and any other investment, the LLC may reinvest the proceeds therefrom in other investments meeting the reinvestment criteria set forth above.

The Bank will agree to cause the issuer of any such Eligible Investments and the LLC to use their best efforts (which best efforts shall not require, or result in, the LLC taking any action which would violate any provision of the LLC Agreement) to maintain the eligibility of the Trust Preferred Securities for clearance through Euroclear and Clearstream.

The Foreign Branch Deposit and the Deposit Agreement will be governed by, and construed in accordance with the laws of the Grand Duchy of Luxembourg. The courts of Luxembourg shall have exclusive jurisdiction over any legal action or proceedings arising out of or in connection with the Foreign Branch Deposit or the Deposit Agreement.

CERTAIN TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following is a general discussion of certain aspects of tax laws and practices of the U.S., the U.K., Luxembourg and Italy relevant to the transactions contemplated in this Offering Circular. The discussion is based on laws and regulations (and official interpretations thereof) currently in effect, all of which are subject to change. Any such changes may have retroactive effect. This discussion is included for general information only, and does not purport to address all tax consequences that may be relevant to investors in the light of their particular circumstances. For example, it does not consider the tax treatment of investors under the law of jurisdictions in which they are resident or otherwise generally subject to taxation or the tax treatment of dealers in the Trust Preferred Securities.

Prospective investors are urged to consult with, should rely on and will be deemed to have relied upon, their own tax advisers before investing, in order to determine the possible tax consequences to them of the acquisition, ownership and disposal of the Trust Preferred Securities.

U.S. Federal Income Tax Consequences

The following summary with respect to U.S. federal income tax addresses only the tax consequences to a person that acquires Trust Preferred Securities on their original issue and that holds the Trust Preferred Securities as a capital asset. It does not address all tax consequences that may be relevant to a Trust Preferred Securityholder. The summary is based upon the Code (as defined below), the Treasury regulations promulgated thereunder and other administrative and judicial authorities in effect as of the date hereof all of which are subject to change (possibly with retroactive effect), and is also based upon the operation of the LLC in compliance with the LLC Agreement and as described in this Offering Circular.

As used herein, the term “Non-U.S. Holder” means a beneficial owner of a Note that is for United States federal income tax purposes not (i) a citizen or resident of the United States, (ii) a corporation or partnership (including an entity treated as a corporation or partnership for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (unless, in the case of a partnership, Treasury regulations are adopted that provide otherwise), (iii) an estate whose income is subject to United States federal income tax regardless of its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust. Notwithstanding the preceding sentence, to the extent provided in Treasury regulations, certain trusts in existence on 20 August 1996, and treated as United States persons under the United States Internal Revenue Code of 1986, as amended (the “Code”) and applicable Treasury regulations thereunder prior to such date, that elect to continue to be treated as United States persons under the Code or applicable Treasury regulations thereunder also will not be a Non-U.S. Holder. Moreover, as used herein, the term “Non-U.S. Holder” does not include any holder of a Note whose income or gain in respect to its investment in a Note is effectively connected with the conduct of a U.S. trade or business.

Classification of the Trust and the LLC

The Trust will be classified as a grantor trust and will not be classified as an association taxable as a corporation for United States federal income tax purposes. The LLC will be treated as a partnership and will not be classified as an association or “publicly traded partnership” taxable as a corporation for U.S. federal income tax purposes. Accordingly, neither the Trust nor the LLC will be treated as a taxable entity for U.S. federal income tax purposes.

Income and Withholding Tax

A Non-U.S. Holder will not be subject to U.S. federal income or withholding tax on any income payable on a Trust Preferred Security or any gain realized on the sale or exchange of the Trust Preferred Securities (or income or gain on an LLC Class B Preferred Security in the event such securities are distributed upon the liquidation of the Trust), unless (i) such income or gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States or (ii) in the case of gain realized by an

individual Non-U.S. Holder, the Non-U.S. Holder is present in the United States for 183 days or more in the taxable year in which the gain is realized and certain other conditions are met.

If income on the Trust Preferred Securities is effectively connected with the conduct by a Non-U.S. Holder of a United States trade or business, the Non-U.S. Holder will generally be subject to regular United States income tax on income from and on gain realized on the sale, exchange or other disposition of a Trust Preferred Security as if it were a United States person. If such Non-U.S. Holder is a foreign corporation, it may also be subject to a branch profits tax equal to 30 per cent. (unless reduced by an applicable treaty) of its effectively connected earnings and profits for the taxable year (which will generally include income from and gain realized on the sale, exchange or other disposition of Trust Preferred Securities), subject to certain adjustments.

Federal Estate Tax

An individual Non-U.S. Holder who is treated as the owner of, or has made certain lifetime transfers of, an interest in the Trust Preferred Securities will be required to include at least a portion, and possibly all, of the value thereof in his or her gross estate for U.S. federal estate tax purposes if, at the time of death, income with respect to such Trust Preferred Securities would have been effectively connected with the conduct by such individual of a U.S. trade or business.

Information Reporting and Backup Withholding Tax

Under current United States Treasury Department (“Treasury”) regulations, backup withholding and information reporting will not apply to payments on the Trust Preferred Securities outside the United States to a holder of Trust Preferred Securities *provided* that the payor does not have actual knowledge that the holder is a United States person. In addition, if the foreign office of a foreign custodian, nominee or other agent collects interest or principal on behalf of the beneficial owner of a Trust Preferred Security, backup withholding and information reporting will not apply to payments made to the owner. However, if a foreign custodian, nominee or agent (i) is a foreign office of a United States person, (ii) is a controlled foreign corporation as to the United States, (iii) derived 50 per cent or more of its gross income from all sources for the three-year period preceding payment from the conduct of a United States trade or business, or (iv) (effective beginning 1 January 2001) a foreign partnership, if at any time during its tax year, one or more of its partners are United States persons who in the aggregate hold more than 50 per cent. of the income or capital interest in the partnership or if, at any time during its tax year, such foreign partnership is engaged in a United States trade or business, information reporting will apply unless such custodian, nominee or agent has documentary evidence in its records that the beneficial owner is a Non-U.S. Holder and certain conditions are met, or the beneficial owner otherwise establishes an exemption. The Treasury is studying whether backup withholding should apply in the case of foreign officers of such custodians, nominees or agents.

If the foreign office of a foreign broker pays the proceeds of the sale of a Trust Preferred Security to the seller thereof, backup withholding and information reporting will not apply to such payment *provided* that the broker is not described in (ii), (iii) or (iv) in the preceding paragraph. The payment of such sale proceeds by the foreign office of other brokers will be subject to information reporting unless the broker has documentary evidence in its records that the beneficial owner is a Non-U.S. Holder and certain conditions are met, or the beneficial owner otherwise establishes an exemption. The Treasury is also studying whether backup withholding should apply in this case.

Amounts paid by the United States office of a custodian, nominee or agent or the payment by the United States office of a broker of the proceeds of a sale of a Trust Preferred Security, is subject to both backup withholding and information reporting unless the beneficial owner certifies its non-United States status under penalties of perjury or otherwise establishes an exemption.

Any amounts withheld from a Trust Preferred Securityholder under the backup withholding rules will be allowed as a refund or a credit against such Trust Preferred Securityholder’s U.S. federal income tax liability, *provided* that the required information is furnished to the Internal Revenue Service.

The Treasury has recently issued regulations regarding the backup withholding and information reporting rules discussed above. The regulations generally will apply to payments made after 31 December 2000. In general, the regulations do not alter the substantive withholding and information reporting requirements but coordinate current certification procedures and forms and modify the standards for relying on certain information.

In the event of a distribution of LLC Class B Preferred Securities to Trust Preferred Securityholders in liquidation of the Trust, if required the LLC will furnish each Trust Preferred Securityholder with a Schedule K-1 each year setting forth the Trust Preferred Securityholder's allocable share of income for the prior calendar year. The LLC is required to furnish such Schedule K-1 as soon as practicable following the end of the year, but in any event prior to March 31. Copies of each Schedule K-1 will be provided to the Internal Revenue Service.

Luxembourg Tax Consequences

The following is a general summary of Luxembourg taxes applicable as at the date hereof in relation to payments made under the Trust Preferred Securities. It is not exhaustive and holders who are in doubt as to their tax position should consult their professional advisors.

Under current Luxembourg law, no withholding tax is levied on the payment of interest, principal or Additional Amounts on the Trust Preferred Securities by the Trust.

Any payments received by the Trust on behalf of the holders of the Trust Preferred Securities will not be subject to any taxes, duties, assessments or charges of whatever nature imposed or levied by or on behalf of Luxembourg or any political sub-division or authority thereof or therein.

Holders of the Trust Preferred Securities who are neither resident in, nor engaged in a trade or business through a permanent establishment in, Luxembourg will not be subject to taxes or duties in Luxembourg with respect to payments under the Trust Preferred Securities or gains realised upon disposal or redemption of the Trust Preferred Securities. Holders of the Trust Preferred Securities not resident in Luxembourg at the time of death will not be subject to inheritance or other similar taxes in Luxembourg in respect of the Trust Preferred Securities and the holders of the Trust Preferred Securities will not be deemed to be resident, domiciled or carrying on business in Luxembourg by reason only of holding such Trust Preferred Securities.

No stamp, value, issue, registration, transfer or similar taxes or duties will be payable in Luxembourg by the holders of the Trust Preferred Securities in connection with the issue of the Trust Preferred Securities.

Holders of the Trust Preferred Securities who are domiciled in Luxembourg or maintain a permanent establishment therein with which the Trust Preferred Securities are effectively connected will be subject to Luxembourg taxation as provided for by applicable tax provisions.

Prospective purchasers of Trust Preferred Securities should consult their tax advisers as to the tax laws and specific tax consequences of acquiring, holding and disposing of the Trust Preferred Securities.

Under current Luxembourg law, no withholding tax is levied on the payment of interest, principal or Additional Amounts on the Foreign Branch Deposit by the Branch.

Any payments received by the LLC under or in connection with the Foreign Branch Deposit will not be subject to any taxes, duties, assessments or charges of whatever nature imposed or levied by or on behalf of Luxembourg or any political sub-division or authority thereof or therein.

No stamp, value, issue, registration, transfer or similar taxes or duties will be payable in Luxembourg by the LLC in connection with the Foreign Branch Deposit.

Italian Tax Consequences

Payments under the Trust Preferred Securities

The following is a general summary of Italian taxes applicable as at the date hereof in relation to payments made under the Trust Preferred Securities. It is not exhaustive and holders who are in doubt as to their tax position should consult their professional advisors.

The Italian tax treatment of the Trust Preferred Securities will depend upon the qualification, under Italian law principles, of such securities as (i) “*azioni*” (shares), (ii) “*obbligazioni*” (bonds) or (iii) “*titoli atipici*” (atypical securities).

Should the Trust Preferred Securities be qualified as shares or bonds, payments in respect of the Trust Preferred Securities received by Italian resident beneficial owners would be subject to the following regime:

- (i) in case of Italian beneficial owners who are mutual funds, such payments will not be subject to any Italian withholding tax and will be included in the calculation of the management result of the funds accrued in each year. Such result will be subject to a 12.5 per cent. substitute tax;
- (ii) in case of Italian beneficial owners who are corporate entities, payments received on the Trust Preferred Securities will not be subject to any Italian withholding tax and will form part of their taxable business income subject to tax in Italy according to the ordinary tax provisions. A tax credit for withholding taxes applied outside Italy, if any, on beneficial owners will be generally available;
- (iii) in case of Italian beneficial owners who are individuals, if such payments are qualified as dividends from shares and are received through an account maintained with an Italian bank or an Italian financial intermediary, such payments will be subject to Italian withholding tax at a rate of 12.5 per cent. on account of personal income tax due and then will be included in the beneficial owners' taxable income and subject as such to the progressive tax rates applicable to them. A tax credit for withholding taxes applied outside Italy, if any, on beneficial owners will be available.

If the Italian beneficial owners are individuals and such payments are qualified as interest from bonds, and are received through an account maintained with an Italian bank or an Italian financial intermediary, such payments will be subject to final Italian withholding tax at the rate of 12.5 per cent.

If the Trust Preferred Securities form part of a portfolio managed by a professional intermediary, for payments in respect thereof, and any gain from their sale derived, by Italian resident individuals after 30 June 1998, an alternative method of taxation (the so-called “*risparmio gestito*” regime) may be available. Under the “*risparmio gestito*” regime, according to Art. 7, paragraph 3, of Legislative Decree 21 November 1997, No. 461, the payments will not be subject to any Italian withholding tax, *provided* that such payments do qualify as interest from bonds or as dividends from shares of a foreign company listed on a regulated market. Under the “*risparmio gestito*” regime, the payments will be included in the calculation of the total net result of the portfolio accrued in each year. Such result will be subject to a 12.5 per cent. substitute tax. If the payments are qualified as interest from bonds and are received through an account maintained with an Italian bank or an Italian financial intermediary, under the “*risparmio gestito*” regime the portion thereof accrued up to 1 July 1998, will be subject to final Italian withholding tax at the rate of 12.5 per cent., to be applied upon the payment.

Should the Trust Preferred Securities be qualified as “*titoli atipici*”, the applicable tax regime for payments of whatever nature thereunder would be the following:

- (i) in case of Italian beneficial owners who are mutual funds, if the payments are received through an account maintained with an Italian bank or an Italian financial intermediary, such payments will be subject to final Italian withholding tax at a rate of 27 per cent.;
- (ii) in case of Italian beneficial owners who are corporate entities, payments received on the Trust Preferred Securities will not be subject to any Italian withholding tax and will form part of their taxable business income subject to tax in Italy according to the ordinary tax provisions. A tax credit for withholding taxes applied outside Italy, if any, on beneficial owners will be generally available;

- (iii) in case of Italian beneficial owners who are individuals, if the payments are received through an account maintained with an Italian bank or an Italian financial intermediary, such payments will be subject to final Italian withholding tax at a rate of 27 per cent.

Where such payments are not received through an account maintained with an Italian bank or an Italian financial intermediary, and such as no withholding tax is required, the payments will be subject to a substitute tax at a rate of 27 per cent. The individual beneficial owners may elect instead to pay ordinary personal income tax at the progressive rates applicable to them in respect of the payments: if so, the beneficial owners may benefit of a tax credit for withholding taxes.

On the basis also of the classification given by the Italian Banking Supervisory Authorities of securities having features similar to those of the LLC Class B Preferred Securities and the Trust Preferred Securities there may be no assurance that interest and any other return accrued thereon will be subject to 12.5 per cent. Italian tax rather than a 27 per cent. withholding tax.

Payments under the Guarantee Agreement

Any payments made by the Bank under the Guarantee Agreement will be subject, under Italian law, to the same tax treatment applicable to corresponding payments due and payable by the Trust in respect of the Trust Preferred Securities.

U.K. Tax Consequences

Distributions on the Trust Preferred Securities

Payments of distributions on the Trust Preferred Securities made by a paying agent outside the United Kingdom or to the Common Depositary for Euroclear and Clearstream may be made without withholding for or on account of United Kingdom tax.

Stamp Duty

Although a liability to United Kingdom stamp duty will arise on an agreement to transfer or a transfer of Trust Preferred Securities which is executed in the United Kingdom or relates, wherever executed, to any property situated in, or to any matter or thing done or to be done in, the United Kingdom, it is not likely that United Kingdom stamp duty will need to be paid in practice.

No liability to United Kingdom stamp duty reserve tax will arise in respect of agreement to transfer the Trust Preferred Securities.

SUBSCRIPTION AND SALE

Under the terms and subject to the conditions set forth in the subscription agreement among the Trust, the LLC, the Bank, Banco di Brescia, the Branch and Lehman Brothers International (Europe) as lead manager (the “Lead Manager”) and Banca d’Intermediazione Mobiliare IMI, Mediobanca-Banca di Credito Finanziario S.p.A., Sanwa International plc, Barclays Bank plc, Banca Profilo S.p.A. and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (together with the Lead Manager, the “Managers”) dated 3 March 2000 (the “Subscription Agreement”), the Managers have jointly and severally agreed to subscribe and pay for the Trust Preferred Securities at a price of €1,000 per Trust Preferred Security. The Managers will receive a combined selling concession, management and underwriting commission of 1.0 per cent. per Trust Preferred Security. The Subscription Agreement provides that the obligations of the Managers are subject to certain conditions precedent.

The Trust, the LLC, the Branch and the Bank have each agreed to indemnify the several Managers against certain liabilities, including certain liabilities under the securities laws of the United States.

The Trust Preferred Securities are a new issue of securities with no established trading market. Although it is anticipated that the Trust Preferred Securities will be listed on the London Stock Exchange, no assurance can be given as to the liquidity of the trading market, if any, for the Trust Preferred Securities.

Selling Restrictions

United States

The Trust Preferred Securities have not been and will not be registered under the Securities Act, and may not at any time be offered, sold, resold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person. As used herein, “United States” means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and “U.S. person” means (i) an individual who is a citizen or resident of the United States; (ii) a corporation, partnership or other entity treated as a corporation or partnership for United States federal income tax purposes, organized in or under the laws of the United States, or any State thereof or the District of Columbia, or which has its principal place of business in the United States; (iii) any estate which is subject to United States federal income taxation regardless of the source of its income; (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and if one or more United States persons have the authority to control all substantial decisions of the trust; (v) a pension plan for the employees, officers or principals of a corporation, partnership or other entity described in (ii) above; or (vi) any other “U.S. person” as such term may be defined in Regulation S under the Securities Act. Notwithstanding the preceding sentence, to the extent provided in United States Treasury Department regulations, certain trusts in existence on 20 August 1996 and treated as U.S. persons before such date that elect to be so treated shall also be considered U.S. persons.

The Managers have represented and agreed that they will not offer, sell, resell or redeliver, directly or indirectly, any Trust Preferred Securities in the United States or to, or for the account or benefit of, any U.S. person. Each other purchaser of the Trust Preferred Securities must agree that (i) it will not at any time offer, sell, resell or deliver, directly or indirectly any Trust Preferred Securities so purchased in the United States or to, or for the account or benefit of, any U.S. person, (ii) it is not purchasing any Trust Preferred Securities for the account or benefit of any U.S. person and (iii) it will not make offers, sales, re-sales or deliveries of any Trust Preferred Securities (otherwise acquired), directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person. The Managers will also be required to agree, and each other purchaser of the Trust Preferred Securities must agree, to send each person who purchases any Trust Preferred Securities from it a written confirmation (which shall include the definitions of “United States” and “U.S. persons” as set forth herein) stating that the Trust Preferred Securities have not been registered under the Securities Act and stating that such purchaser, by accepting delivery of such Trust Preferred Securities, is deemed to agree that it will not at any time offer, sell, resell or deliver the Trust Preferred Securities, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person. Holders of the Trust Preferred Securities will be required to certify, *inter alia*, that the holder of such Trust

Preferred Securities or any persons who is otherwise the beneficial owner of the Trust Preferred Securities is located outside of the United States and is not a U.S. person.

The Trust Preferred Securities are also 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 U.S. person. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

United Kingdom

Each of the Managers has represented and agreed that:

(a) *No offer to public*

it has not offered or sold and will not offer or sell any Trust Preferred Securities to persons in the United Kingdom prior to admission of the Trust Preferred Securities to listing in accordance with Part IV of the Financial Securities Act 1986 (the “Act”), except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 or the Act;

(b) *General compliance*

it has complied and will comply with all applicable provisions of the Act with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom; and

(c) *Investment advertisements*

it has only issued or passed on, and will only issue or pass on, in the United Kingdom any document received by it in connection with the issue of the Trust Preferred Securities, other than any document which consists of or any part of listing particulars, supplemental listing particulars or any other document required or permitted to be published by listing rules under Part IV of the FSA, to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 or is a person to whom such document may otherwise lawfully be issued or passed on.

Spain

The Managers have represented and agreed that the Trust Preferred Securities have not been registered under the Spanish Royal Decree 291/1992 of March 27 (*Real Decreto 291/1992, sobre Emisiones y Ofertas Públicas de Venta de Valores*), as amended (the “Royal Decree 291/1992”) and may not be offered or sold within the Kingdom of Spain except (i) to institutional investors that will make a minimum investment of euro 150,255 (Ptas. 25,000,000) and that will be subject to transfer restrictions set out in section 7.1 a) of the Royal Decree 291/1992, and (ii) to a maximum of 100 non-institutional investors that will make a minimum investment of euro 150,255 (Ptas. 25,000,000). Re-sales by such non-institutional investors of the Trust Preferred Securities must be for an amount not less than euro 150,255 (Ptas. 25,000,000).

Republic of Italy

The Managers have represented and agreed that:

- (a) The Trust Preferred Securities have not been and will not be registered with the *Commissione Nazionale per la Società e la Borsa* under the applicable Italian securities laws and regulations. Consequently, the Trust Preferred Securities will only be offered in Italy to institutional investors under article 100 of Legislative Decree No. 58 of 24 February 1998 and the applicable implementing regulations; and

- (b) They have complied and will comply with all applicable Italian securities laws and any other regulatory requirements, including, *inter alia*, the Financial Act and implementing regulations thereof and Legislative Decree No. 385 of 1 September 1993 and implementing regulations thereof.

Luxembourg

The Managers have represented and agreed that no public announcement, offer or sale of any Trust Preferred Securities has been, nor will be, made in or from Luxembourg.

Other Jurisdictions

The Trust Preferred Securities may be offered or sold in other selected jurisdictions in accordance with the applicable laws of such jurisdictions.

LEGAL MATTERS

Certain matters under Delaware law will be passed on by Richards Layton & Finger, Delaware counsel for the Trust and the LLC. In addition, certain matters under Italian law will be passed on by Studio Legale Solimena, Italian legal counsel for the Bank, and Grimaldi e Clifford Chance, Italian legal counsel for the Managers. Certain matters relating to the laws of the Grand Duchy of Luxembourg will be passed on by Faltz & Kremer in association with Clifford Chance, Luxembourg legal counsel for the Bank, the Branch, the LLC and the Trust. Certain matters under New York and English law will be passed on by Brown & Wood, A Multinational Partnership, international legal advisers to the Managers. Richards Layton & Finger and Brown & Wood, A Multinational Partnership, may rely on the opinions of Studio Legale Solimena and Grimaldi e Clifford Chance with respect to certain matters of Italian law and of Faltz & Kremer in association with Clifford Chance with respect to certain matters of Luxembourg law. In addition, Uría & Menéndez shall provide legal advice to the Managers with respect to certain matters of Spanish law.

GENERAL INFORMATION

1. Consents

The Trust has obtained all necessary consents, approvals and authorizations in connection with the issue and offering of the Trust Preferred Securities. The issuance of the Trust Preferred Securities was authorised by the Trustees of the Trust on 19 January and 3 March 2000. The execution of the Guarantee Agreement was authorised by the Bank on 12 January 2000.

2. London Stock Exchange Listing

The listing of the Trust Preferred Securities will be expressed as a percentage of their Liquidation amount (exclusive of accrued dividends). It is expected that listing of the Trust Preferred Securities on the London Stock Exchange will be granted on or before 8 March 2000, subject only to the issue of the Temporary Global Certificate. Prior to official listing, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for settlement in euros and for delivery on the third working day after the day of the transaction.

Copies of the following documents may be inspected at the offices of Brown & Wood MNP, Princes Court, 7 Princes Street, London EC2R 8AQ, during normal business hours on any weekday (Saturdays and public holidays excepted) for 14 days from the date of this Offering Circular:

- (i) the Certificate of Trust;
- (ii) the Trust Agreement;
- (iii) Certificate of Formation of the LLC;
- (iv) the LLC Agreement;
- (v) the Memorandum and Articles of Association of the Bank (including English translations);
- (vi) a copy of the auditors' reports and the audited consolidated financial statements of the Banca Lombarda Group for the financial years ended 31 December 1998 and 31 December 1997 and the audited consolidated financial statements of the Banca Lombarda Group for the six months ended 30 June 1999 and 30 June 1998 (including English translations);
- (vii) the Subscription Agreement;
- (viii) the Agency Agreement;
- (ix) the Guarantee Agreement;
- (x) the Deposit Agreement;
- (xi) the Services Agreement; and
- (xii) a copy of BRE Banca's Annual Reports as of 31 December 1998, 31 December 1997 and 31 December 1996 respectively and unaudited consolidated interim financial statements for the six months ended 30 June 1999.

3. No Material Adverse Change

Except as disclosed in this Offering Circular (including for the avoidance of doubt the Annex hereto), there has been no significant change in the financial or trading position of the Banca Lombarda Group or BRE Banca since 30 June 1999 and no material adverse change in the financial position or prospects of the Banca Lombarda Group or BRE Banca since 31 December, 1998.

There has been no significant change in the financial or trading position of the Trust and no material adverse change in the financial position or prospects of the Trust since its creation and formation on 19 January 2000.

There has been no significant change in the financial or trading position of the LLC and no material adverse change in the financial position or prospects of the LLC since its creation and formation on 19 January 2000.

4. Litigation

Neither the Banca Lombarda Group nor BRE Banca nor the Trust nor the LLC is or has been involved in any legal or arbitration proceedings, nor are there any legal or arbitration proceedings pending or threatened involving the Banca Lombarda Group, BRE Banca, the Trust or the LLC, respectively which may have or have had during the 12 months prior to the date of this Offering Circular a significant effect on the financial position of the Banca Lombarda Group, BRE Banca, the Trust or the LLC.

5. Available Documents

Annual and semi-annual interim reports of the Banca Lombarda Group will be available and can be obtained free of charge at the registered office of the Bank for as long as the Trust Preferred Securities are listed on the London Stock Exchange. Interim reports will not be published by the Banca Lombarda Group. Neither the Trust nor the LLC is required by Delaware law, nor intends, to publish any financial statements.

6. Clearing Systems and Settlement

The Trust Preferred Securities have been accepted for clearance through the facilities of Euroclear and Clearstream. The ISIN number for the Trust Preferred Securities is XS0108805564 and the common code is 010880556.

Settlement instructions relating to transfer of the Trust Preferred Securities within Euroclear and Clearstream should be expressed in units (e.g. 10,000 units) to be transferred rather than aggregate liquidation amount (e.g. €10,000,000).

7. Notices

All notices shall be deemed to have been given in the manner indicated under “Description of Trust Preferred Securities – Notices.”

8. Auditors

Arthur Andersen S.p.A., certified public accountants, of Via della Moscova 3, 20121 Milan, Italy, who are auditors of the Banca Lombarda Group, have audited the annual accounts of the Banca Lombarda Group for the past 3 financial years ended 31 December 1996, 1997 and 1998 and the interim account of the Banca Lombarda Group for the 6 months ended 30 June 1999 and have given and not withdrawn their consent to the issue of this Offering Circular with the inclusion herein of their report in the form and context in which it appears and have authorised the report for the purposes of section 152(1)(e) of the Act.

Price Waterhouse S.p.A., certified public accountants, of Corso Europa 2, 20122 Milan, Italy, who are auditors of the BRE Banca, have audited the annual accounts of the BRE Banca for the past 2 financial years ended 31 December 1997 and 1998 respectively without qualifications and Arthur Andersen S.p.A., certified public accountants, of Via della Moscova 3, 20121 Milan, Italy has audited the annual accounts of BRE Banca for the financial year ended 31 December 1996 without qualifications.

9. Proceeds Accounts

Proceeds of the issue of the Trust Preferred Securities will be credited to the Trust’s account with The Bank of New York, London Branch, One Canada Square, London E14 5AL, and immediately transferred into the LLC’s account with American Express Bank Ltd., 60 Buckingham Palace Road, London SW1W 0RR in payment for the LLC Class B Preferred Securities which are purchased by the Trust. The monies in LLC’s account with American Express Ltd. will be transferred and deposited in the LLC’s account with Banco di Brescia, Luxembourg Branch, 35 Boulevard du Prince Henri, L-1724 Luxembourg, as the Foreign Branch Deposit.

Banca Lombarda S.p.A.

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ANNEX A

Banca Regionale Europea S.p.A.

Annual Report as of 31 December 1998

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ANNEX B

Banca Regionale Europea S.p.A.

Unaudited Interim Financial Statements as at and for the six months ended 30 June 1999

**UNAUDITED INTERIM FINANCIAL STATEMENTS OF BRE BANCA
AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 1999**

The financial data set forth below has been extracted from financial returns prepared by BRE Banca for submission to the Bank of Italy.

BALANCE SHEET

	<i>30 June 1999</i>
Assets	<i>(ITL mm)</i>
Cash and deposits with central banks and post offices	71,940
Treasury bills and bonds eligible for refinancing by central banks	2,422,358
Due from banks:	674,130
a) repayable on demand	268,174
b) other deposits	405,956
Loans to customers	7,070,457
including:	
– loans using public funds	69
Debentures and other debt securities:	1,424,659
a) public entities	1,324,296
b) banks	93,170
including:	
– own securities	4,041
c) financial institutions	—
including:	
– own securities	—
d) other issuers	7,193
Shares, quotas and other forms of capital	22,280
Equity investments	39,669
Equity investments in Group companies	21,593
Intangible fixed assets	8,273
of which start-up costs	123
of which goodwill	—
Tangible fixed assets	213,417
Own shares or quotas	—
Other assets	429,622
Accrued income and prepaid expenses:	169,212
a) accrued income	165,428
b) Prepaid expenses	3,784
Total assets	<u>12,567,610</u>

30 June 1999

Liabilities	(ITL mm)
Due to banks:.....	511,737
a) repayable on demand	262,892
b) time deposits or with notice period	248,845
Due to customers:.....	6,805,819
a) repayable on demand	5,849,350
b) time deposits or with notice period	956,469
Securities issued:	2,476,638
a) bonds	1,869,487
b) certificates of deposit	529,944
c) other securities	77,207
Public funds administered.....	76
Other liabilities	937,071
Accrued expenses and deferred income:.....	124,883
a) accrued expenses.....	122,879
b) deferred income	2,004
Provision for termination indemnities	113,321
Provisions for liabilities and charges:.....	149,657
a) pension funds	58,595
b) tax reserves	61,303
c) other reserves	29,759
Loan loss reserve.....	21,004
Reserve for general banking risks	100,194
Subordinated liabilities.....	—
Capital stock	850,000
Additional paid-in capital.....	—
Reserves:	424,116
a) legal reserve	36,500
b) reserve for own shares or quotas	—
c) statutory reserve	335,940
d) other reserve.....	51,676
Net income for the period.....	53,094
Total liabilities and stockholders' equity.....	<u>12,567,610</u>
 Guarantees and Commitments	
Guarantees issued	454,074
including:	
– acceptances	9,366
– other guarantees	444,708
Commitments.....	311,624

30 June 1999

Statement of Income

(ITL mm)

Interest income and similar revenues;	303,210
including from:	
– loans to customers.....	190,614
– debt securities.....	89,103
Interest expense and similar charges:	(98,553)
including on:	
– due to customers	(47,122)
– other due to customers.....	(44,155)
Dividends and other revenues from:.....	2,422
a) shares, quotas and other forms of capital	244
b) equity investments	1,998
c) equity investments in Group companies	180
Commission income	89,441
Commission expense	(4,112)
Profits (losses) on financial transactions.....	(2,955)
Other operating income.....	32,780
Administrative costs:	(206,941)
a) payroll, including:	(123,005)
wages and salaries.....	(86,262)
social security contribution.....	(24,020)
severance pay	(4,321)
pensions contributions.....	(7,901)
b) other administrative costs	(83,936)
Adjustments to tangible and intangible fixed assets	(11,361)
Provisions for liabilities and charges.....	(6,221)
Other operating expenses	(672)
Adjustments to loans and provisions for guarantees and commitments	(30,140)
Write-backs on loans and provisions for guarantees and commitments	2,806
Provisions for loan losses.....	(2,439)
Adjustments to financial investments	(55)
Recoveries on financial investments	—
Income from operating activities	67,210
Extraordinary income	30,931
Extraordinary charges.....	(960)
Extraordinary net income (expenses)	29,971
Change in reserve for general banking risks.....	—
Tax on equity	—
Income taxes	(44,087)
Net income for the year after income taxes.....	53,094
Provisions to reserve art. 7.3 of D.L. 218/90.....	—
Net income available for distribution.....	53,094

BANCA LOMBARDA S.p.A.

Via Cefalonia, 62
25175 Brescia
Italy

PRINCIPAL EXECUTIVE OFFICE OF THE BRANCH

Boulevard du Prince Henry 35
L-1724 Luxembourg

PRINCIPAL EXECUTIVE OFFICE OF THE LLC

c/o Banca Lombarda S.p.A.
Via Cefalonia, 62
25175 Brescia
Italy

PRINCIPAL EXECUTIVE OFFICE OF THE TRUST

c/o Banca Lombarda S.p.A.
Via Cefalonia, 62
25175 Brescia
Italy

LEGAL ADVISORS TO THE BANK, THE BRANCH, THE LLC AND THE TRUST

<i>As to Italian law:</i>	<i>As to U.S. Federal tax matters:</i>	<i>As to Luxembourg Law:</i>	<i>As to Delaware law:</i>
Studio Legale Solimena Via San Paolo, 15 20121 Milan Italy	Brown & Wood LLP One World Trade Center New York, New York 10048 USA	Faltz & Kremer in association with Clifford Chance 6 Rue Hiene L-1720 Luxembourg	Richards, Layton & Finger, P.A. One Rodney Square P.O. Box 551 Wilmington, Delaware 19899 USA

LEGAL ADVISORS TO THE MANAGERS

<i>As to New York and English law:</i>	<i>As to Spanish Law:</i>	<i>As to Italian law:</i>
Brown & Wood A Multinational Partnership Princes Court 7 Princes Street London EC2R 8AQ England	Uría & Menéndez Jorge Juan 6 28001 Madrid Spain	Grimaldi e Clifford Chance 200 Aldersgate Street London EC4A 4JJ England

AUDITORS

Arthur Andersen S.p.A.
Via della Moscova, 3
20121 Milan
Italy

PROPERTY TRUSTEE

The Bank of New York
101 Barclays Street
New York, New York-10286
U.S.A.

PAYING AGENT AND CALCULATION AGENT

Citibank N.A.
5 Carmelite Street
London EC4Y 0PA
England

LISTING AGENT

Lehman Brothers International (Europe)
One Broadgate
London EC2M 7HA
England