

• **CAPITALIA** •  
GRUPPO BANCARIO

Capitalia S.p.A.

(incorporated as a Società per Azioni in the Republic of Italy)

EUR 12,000,000,000

EURO MEDIUM TERM NOTE PROGRAMME

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Under the Euro Medium Term Note Programme (the “Programme”) described in this Information Memorandum (the “Information Memorandum”), Capitalia S.p.A. (the “Bank”) may, including through any such branch outside the Republic of Italy as it may agree with the Relevant Dealer(s) (as defined below) and as specified in the applicable Pricing Supplement (as defined below), subject to compliance with all relevant laws, regulations and directives, from time to time issue debt instruments (the “Notes”) denominated in any currency (including euro) agreed between the Bank and the Relevant Dealer(s). The aggregate nominal amount of Notes outstanding will not at any time exceed euro 12,000,000,000 (or its equivalent in other currencies), subject to any duly authorised increase.

The Notes may be issued on a continuing basis to one or more of the Dealers specified herein and any additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or an ongoing basis (each, a “Dealer” and, together, the “Dealers”). References in this Information Memorandum to the “Relevant Dealer” shall, in relation to any issue of Notes, be to the Dealer agreeing to purchase such Notes or, in the case of each issue of Notes syndicated amongst a group of Dealers, the lead manager of such issue.

Payments of interest, premium or other amounts relating to the Notes qualifying as bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*) are subject to a substitutive tax (referred to as *imposta sostitutiva*) of 12.5 per cent. in certain circumstances. In order to obtain exemption at source from *imposta sostitutiva* in respect of payments of interest, premium or other amounts relating to the Notes, each Noteholder (as defined below) not resident in the Republic of Italy is required to declare to be: (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information; and (b) the beneficial owner of payments of interest, premium or other amounts relating to the Notes, all as more fully set out in this Information Memorandum under “Italian Taxation”.

Notes issued by the Bank with an original maturity of less than 18 months are subject to a withholding tax at the rate of 27 per cent. per annum in respect of interest and premium (if any), pursuant to Article 26 of Italian Presidential Decree No. 600 of 29 September 1973. The Bank will not be liable to pay any additional amounts to Noteholders in relation to any such withholding.

Application has been made to list Notes issued under the Programme during the period of twelve months after the date hereof on the Luxembourg Stock Exchange. The Programme also permits Notes to be issued on an unlisted basis or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

Arranger

LEHMAN BROTHERS

Dealers

ABN AMRO

BANC OF AMERICA SECURITIES LIMITED

GOLDMAN SACHS INTERNATIONAL

JPMORGAN

MCC S.p.A

MORGAN STANLEY

BANCA IMI

CREDIT SUISSE FIRST BOSTON

HSBC

LEHMAN BROTHERS

MERRILL LYNCH INTERNATIONAL

UBS INVESTMENT BANK

27 May 2004

## CONTENTS

IMPORTANT NOTICES .....	3
DOCUMENTS INCORPORATED BY REFERENCE .....	5
SUPPLEMENTARY INFORMATION MEMORANDUM .....	5
SUMMARY OF THE PROGRAMME .....	6
FORMS OF THE NOTES .....	12
TERMS AND CONDITIONS OF THE NOTES .....	15
FORM OF PRICING SUPPLEMENT .....	38
SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM.....	45
THE ISSUER .....	48
MANAGEMENT .....	78
CONSOLIDATED CAPITALIZATION OF THE ISSUER.....	80
SUMMARY CONSOLIDATED AND UNCONSOLIDATED FINANCIAL AND OPERATING INFORMATION OF THE ISSUER .....	81
TAXATION.....	90
SUBSCRIPTION AND SALE .....	97
GENERAL INFORMATION .....	100

## IMPORTANT NOTICES

The Bank accepts responsibility for the information contained in this document and to the best of its knowledge and belief (having 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.

This Information Memorandum should be read and construed together with any amendments or supplements hereto and with any other documents incorporated by reference herein and, in relation to any Tranche of Notes, should be read and construed together with the relevant Pricing Supplement (as defined herein).

The Bank has confirmed to the Dealers named under “*Subscription and Sale*” below that this Information Memorandum (including for this purpose, each relevant Pricing Supplement) contains all information which is (in the context of the Programme and the issue, offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Information Memorandum does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme and the issue, offering and sale of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

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

No representation or warranty is made or implied by the Trustee, the Dealers or any of their respective affiliates, and neither the Trustee, the Dealers nor any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Information Memorandum. Neither the delivery of this Information Memorandum, or any Pricing Supplement, nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Information Memorandum is true subsequent to the date hereof or the date upon which this Information Memorandum has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Bank since the date thereof or, if later, the date upon which this Information Memorandum has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Information Memorandum and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum or any Pricing Supplement comes are required by the Bank and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Information Memorandum or any Pricing Supplement and other offering material relating to the Notes, see “*Subscription and Sale*”. In particular, the Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the “**Securities Act**”) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. In addition, the Bank has not authorised any offer of Notes having a maturity of one year or more to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (the “**Regulations**”). Notes may not lawfully be offered or sold to persons in the United Kingdom except in circumstances which do not result in an offer to the public in the United Kingdom within the meaning of the Regulations or otherwise in compliance with all applicable provisions of the Regulations.

This Offering Circular has not been submitted to the clearance procedure of Commissione Nazionale per le Società e la Borsa (“**CONSOB**”) and may not be used in connection with any offer of the Notes in the Republic of Italy other than (i) to professional investors, as that term is defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1 July 1998 (“*operatori qualificati*”) as amended, (ii) to Italian residents who submit unsolicited offers to any of the Dealers to purchase the Notes or (iii) in any circumstance which although

constituting a solicitation of investment in the Republic of Italy, are exempt from the rules on solicitation of investments pursuant to the applicable laws and regulations.

Neither this Information Memorandum nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Bank, the Trustee or any of the Dealers that any recipient of this Information Memorandum or any Pricing Supplement should subscribe for or purchase any Notes. Each recipient of this Information Memorandum or any Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Bank.

The maximum aggregate nominal amount of Notes outstanding at any one time under the Programme will not exceed euro 12,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement (as defined under “*Subscription and Sale*”))). The maximum aggregate principal amount of Notes which may be outstanding and guaranteed at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement.

In this Information Memorandum, unless otherwise specified, references to “U.S.\$”, “U.S. Dollars” or “Dollars” are to United States dollars, references to “EUR”, “€” or “euro” are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended and references to “Lit.”, “Italian Lire” and “Lire” are to Italian Lire.

**In connection with the issue of any Tranche of Notes under the Programme, the Dealer (if any) which is specified in the relevant Pricing Supplement as the Stabilising Manager (or any person acting for the Stabilising Manager) may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.**

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Information Memorandum:

- (1) the most recently published audited consolidated annual financial statements and any consolidated interim six-monthly financial statements (whether audited or unaudited) published subsequently to such annual financial statements, of the Bank;
- (2) all amendments and supplements to this Information Memorandum prepared by the Bank from time to time; and
- (3) in respect of any Tranche, the relevant Pricing Supplement,

*provided, however*, that any statement contained in this Information Memorandum or in any of the documents incorporated by reference in, and forming part of, this Information Memorandum shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement.

The Bank has undertaken, in connection with the listing of the Notes on the Luxembourg Stock Exchange, that if there shall occur any adverse change in the business or financial position of the Bank or any change in the information set out under “*Terms and Conditions of the Notes*”, that is material in the context of issuance under the Programme, the Bank will prepare or procure the preparation of an amendment or supplement to this Information Memorandum or, as the case may be, publish a new Information Memorandum, for use in connection with any subsequent issue by the Bank of Notes to be listed on the Luxembourg Stock Exchange.

The Bank will, at the specified offices of the Paying Agents, provide, free of charge, upon oral or written request, a copy of this Information Memorandum (or any document incorporated by reference in this Information Memorandum). Requests in person for such documents should be directed to the specified office of any Paying Agent or the specified office of the Listing Agent in Luxembourg.

## SUPPLEMENTARY INFORMATION MEMORANDUM

The Bank has undertaken, in connection with the listing of the Notes on the Luxembourg Stock Exchange, that if there shall occur any material adverse change in the business or financial position of the Bank or any change in the information set out under “*Terms and Conditions of the Notes*”, that is material in the context of issuance under the Programme, the Bank will prepare or procure the preparation of an amendment or supplement to this Information Memorandum or, as the case may be, publish a new Information Memorandum, for use in connection with any subsequent issue by the Bank of Notes to be listed on the Luxembourg Stock Exchange.

## SUMMARY OF THE PROGRAMME

*The following summary does not purport to be complete and is qualified in its entirety by the remainder of this Information Memorandum and, in relation to the terms and conditions of any particular Tranche of the Notes, the applicable Pricing Supplement. Words and expressions defined in "Terms and Conditions of the Notes" below shall have the same meanings in this summary.*

<b>Issuer:</b>	Capitalia S.p.A., including through any such branch outside the Republic of Italy as it may agree with the Relevant Dealer(s), as specified in the applicable Pricing Supplement, and subject to compliance with all applicable legal and/or regulatory requirements.
<b>Arranger:</b>	Lehman Brothers International (Europe)
<b>Dealers:</b>	ABN AMRO Bank N.V., Banca IMI S.p.A., Banc of America Securities Limited, Credit Suisse First Boston (Europe) Limited, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities Ltd., Lehman Brothers International (Europe), MCC S.p.A., Merrill Lynch International, Morgan Stanley & Co. International Limited, UBS Limited and any other Dealer appointed from time to time by the Bank either generally in respect of the Programme or in relation to a particular Tranche of Notes.
<b>Trustee:</b>	Deutsche Trustee Company Limited
<b>Principal Paying Agent:</b>	Deutsche Bank AG London
<b>Paying Agents:</b>	Deutsche Bank Luxembourg S.A. Credit Suisse First Boston
<b>Luxembourg Listing Agent:</b>	Deutsche Bank Luxembourg S.A.
<b>Listing:</b>	Each Series issued under the Programme may be listed on the Luxembourg Stock Exchange and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system as may be agreed between the Bank and the relevant Dealer and specified in the relevant Pricing Supplement or may be unlisted.
<b>Clearing Systems:</b>	Euroclear Bank S.A./N.V., as operator of the Euroclear System (" <b>Euroclear</b> ") and/or Clearstream Banking, société anonyme, Luxembourg (" <b>Clearstream, Luxembourg</b> ") and/or, in relation to any Series of Notes, any other clearing system as may be specified in the relevant Pricing Supplement.
<b>Programme Amount:</b>	Up to euro 12,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any time.
<b>Issuance in Series:</b>	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. Any subsequent Tranche may have a different Issue Price as specified in the relevant Pricing Supplement. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.
<b>Pricing Supplements:</b>	Each Tranche will be the subject of a Pricing Supplement which, for the purposes of that Tranche only, supplements the Terms and Conditions of

the Notes and this Information Memorandum and must be read in conjunction with this Information Memorandum. The terms and conditions applicable to any particular Tranche of Notes are the Terms and Conditions of the Notes as supplemented, amended and/or replaced by the relevant Pricing Supplement.

**Forms of Notes:**

Notes may only be issued in bearer form. Each Tranche of Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Pricing Supplement. Each Global Note will be deposited on or around the relevant issue date with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Pricing Supplement, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

**Currencies:**

Notes may be denominated in euro, U.S. Dollars, Australian Dollars, Canadian Dollars, Danish Kroner, Hong Kong Dollars, Japanese Yen, New Zealand Dollars, Norwegian Kroner, Pounds Sterling, Swedish Kroner, Swiss Francs and/or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated. Issues of Notes with a maturity of more than one year denominated in Swiss Francs or carrying a Swiss Franc-related element (other than Notes privately placed with a single investor with no publicity) will be effected in compliance with the relevant regulations of the Swiss National Bank based on article 7 of the Federal Law on Banks and Savings Banks of 8 November 1934 (as amended) and article 15 of the Federal Law on Stock Exchanges and Securities Trading of 24 March 1995 in connection with article 2, paragraph 2 of the Ordinance of the Federal Banking Commission on Stock Exchanges and Securities Trading of 2 December 1996. Under these regulations, the relevant Dealer or, in the case of a syndicated issue, the lead manager (the “**Swiss Dealer**”), must be a bank domiciled in Switzerland (which includes branches or subsidiaries of a foreign bank located in Switzerland) or a securities dealer duly licensed by the Swiss Federal Banking Commission pursuant to the Federal Law on Stock Exchanges and Securities Trading of 24 March, 1995. The Swiss Dealer must report certain details of the relevant transaction to the Swiss National Bank no later than the date of issue of the relevant Notes.

**Status of Senior Notes:**

Senior Notes will constitute unsubordinated, unconditional and, unsecured obligations of the Bank and (subject to the proviso concerning previously issued Senior Notes, below) will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other

than subordinated obligations, if any) of the Bank from time to time outstanding.

**Absence of Negative Pledge:**

Previously issued Senior Notes: Senior Notes issued under this Programme prior to the date of this Information Memorandum have the benefit of a negative pledge provision in the following terms:

“The Bank will not, so long as any of the Senior Notes remains outstanding create or have outstanding any mortgage, lien, pledge or other charge upon the whole or any part of its assets or revenues, present or future, to secure any External Indebtedness or any guarantee of any External Indebtedness unless:

- (i) the same security shall forthwith be extended (to the satisfaction of the Trustee) equally and rateably to the Senior Notes; or
- (ii) such other security as the Trustee in its absolute discretion deems reasonably equivalent thereto or is approved by an Extraordinary Resolution of the holders of Senior Notes shall previously have been or shall forthwith be extended equally and rateably to the Senior Notes”

**Senior Notes to be issued under this Programme will not have the benefit of this provision. Outstanding Senior Notes issued prior to the date of this Information Memorandum are unaffected by this change and will continue to benefit from such negative pledge provision up to maturity.**

**Status of Subordinated Notes:**

Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes and Tier III Subordinated Notes will constitute direct, unsecured and subordinated obligations of the Bank.

In the event of the winding-up, dissolution, liquidation or *Liquidazione Coatta Amministrativa* (the latter as described in Articles 80 to 94 of the Italian Banking Act) of the Bank, the payment obligations of the Bank under the Lower Tier II Subordinated Notes, the Upper Tier II Subordinated Notes and Tier III Subordinated Notes and the related Coupons will rank in right of payment after unsubordinated unsecured creditors (including depositors) of the Bank but at least *pari passu* with all other subordinated obligations of the Bank which do not rank or are not expressed by their terms to rank junior or senior to the Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes and Tier III Subordinated Notes, as the case may be, and in priority to the claims of shareholders of the Bank, as described in Condition 4(b) (*Subordinated Notes*).

**Loss Absorption on Upper Tier II Subordinated Notes:**

To the extent that the Bank at any time suffers losses which in accordance with Italian laws and regulations would require the Bank to reduce its capital to below the Minimum Capital (as defined in Condition 4(b)(iii) (*Subordinated Notes*), the payment obligations of the Bank in respect of interest and principal under Upper Tier II Subordinated Notes will be reduced to the extent necessary to enable the Bank, in accordance with the requirements of Italian law, to maintain at least the required Minimum Capital.

The payment obligations of the Bank in respect of interest and principal due under Upper Tier II Subordinated Notes which are so reduced will be subject to reinstatement in certain circumstances.

**Deferral of Interest on Upper Tier II Subordinated Notes:**

The Bank is not required to pay interest on Upper Tier II Subordinated Notes on an Interest Payment Date if (i) no annual dividend has been approved by the shareholders of the Bank or paid in respect of any class of shares during the 12 month period ending on, and including the day which is three London Business Days preceding such Interest Payment Date; or (ii) the Board of Directors of the Bank has announced at the time of publication of any interim accounts of the Bank published during the six months ending on, and including the day which is three London Business Days preceding such Interest Payment Date that, based on such accounts, no sums are available at such time in accordance with Italian law for the payment of interim dividends.

**Tier III Subordinated Notes:**

Tier III Subordinated Notes shall be subject to the same restrictions provided in respect of similar indebtedness qualifying as Upper Tier II Subordinated Notes or Lower Tier II Subordinated Notes except that any Tier III Subordinated Notes shall (i) have a different minimum maturity period, as specified in the relevant Pricing Supplement and (ii) be subject to a lock-in clause pursuant to which payments of interest and repayment of principal cannot be effected if such payments or repayment would reduce the total value of the Bank's assets below the minimum capital requirements of Italian law. Such suspension of payments shall not constitute an Event of Default.

**Issue Price:**

Notes, any Series and each single Tranche may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Pricing Supplement.

**Maturities:**

Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements. Unless otherwise permitted by current law, regulations, directives and/or the Bank of Italy's requirements applicable to the issue of Subordinated Notes (i) Lower Tier II Subordinated Notes must have a maturity of not less than five years, (ii) Upper Tier II Subordinated Notes must have a maturity of not less than ten years and (iii) Tier III Subordinated Notes will have a maturity of not less than two years. Where Lower Tier II Subordinated Notes and Tier III Subordinated Notes are redeemable, Lower Tier II Subordinated Notes may be redeemed only after five years from the relevant issue date and only after a prior notice is given to the Noteholders, while Tier III Subordinated Notes may be redeemed only after two years from the relevant issue date and only after a prior notice is given to Noteholders.

Any Notes having a maturity of less than one year from their date of issue must (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the FSMA by the Bank.

Any minimum and maximum maturities may be subject to change from time to time as a result of changes to the relevant legal and regulatory requirements.

<b>Redemption:</b>	Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Pricing Supplement. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Pricing Supplement.
<b>Optional Redemption:</b>	Notes may be redeemed before their stated maturity at the option of the Bank (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement.  Under applicable laws and regulations at the date of this Information Memorandum, Lower Tier II Subordinated Notes may not be repaid (other than for tax reasons and subject to the prior approval of the Bank of Italy, or following an Event of Default) prior to five years from the relevant Issue Date; Upper Tier II Subordinated Notes may not be repaid prior to 10 years from the relevant Issue Date and in any case subject always to the prior consent of the Bank of Italy; and Tier III Subordinated Notes may not be repaid prior to two years from the relevant Issue Date.
<b>Tax Redemption:</b>	Except as referred to in “ <i>Optional Redemption</i> ” above, early redemption will only be permitted for tax reasons as described in Condition 9(c) ( <i>Redemption for tax reasons</i> ).
<b>Interest:</b>	Notes may be interest-bearing or non-interest-bearing. Interest in respect of Upper Tier II Subordinated Notes and Tier III Subordinated Notes may be deferred as provided in the Conditions applicable to such Notes. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series, as provided in the relevant Pricing Supplement.
<b>Denominations:</b>	Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
<b>Cross Default:</b>	The Senior Notes will have the benefit of a cross default as described in Condition 12 ( <i>Events of Default</i> ).
<b>Taxation:</b>	All payments by the Bank in respect of the Notes will be made free and clear of any deduction or withholding for or an account of any present or future taxes of the Republic of Italy, the United Kingdom, Belgium and Luxembourg or the country of tax residence of the branch through which the Bank is issuing the Notes, unless such deduction or withholding is required by law. In that event, the Bank will (subject as provided in Condition 11 ( <i>Taxation</i> )) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such deduction or withholding been required.  Notes issued by the Bank with an original maturity of less than 18 months are subject to a withholding tax at the rate of 27 per cent. per annum in respect of interest and premium (if any), pursuant to Italian Presidential Decree No. 600 of 29 September 1973. The Bank will not be liable to pay any additional amounts to Noteholders in relation to any such withholding.

<b>Redenomination:</b>	In respect of any Tranche of Notes, if the country of the Specified Currency becomes or, announces its intention to become, a Participating Member State, the Notes may be redenominated in euro in accordance with Condition 21 ( <i>Redenomination, Renominalisation and Reconventioning</i> ) if so specified in the relevant Pricing Supplement.
<b>Governing Law:</b>	The Notes and the Trust Deed shall be governed by, and shall be construed in accordance with, English law, except for Condition 4(b) ( <i>Subordinated Notes</i> ), which shall be governed by, and construed in accordance with, Italian law.
<b>Enforcement of Notes in Global Form:</b>	In the case of Global Notes, individual noteholders' rights against the Bank will be governed by the Trust Deed dated 9 May 2003, as supplemented by a supplemental trust deed dated 27 May 2004, a copy of which will be available for inspection at the specified office of the Principal Paying Agent and at the offices of the Paying Agent for the time being in Luxembourg.
<b>Rating:</b>	Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
<b>Selling Restrictions:</b>	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the United Kingdom, the Republic of Italy, Japan and Switzerland, see " <i>Subscription and Sale</i> " below.

## FORMS OF THE NOTES

Each Tranche of Notes will initially be in the form of either a temporary global note (the “**Temporary Global Note**”), without interest coupons, or a permanent global note (the “**Permanent Global Note**”), without interest coupons, in each case as specified in the relevant Pricing Supplement. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a “**Global Note**”) will be deposited on or around the issue date of the relevant Tranche of the Notes with a depository or a common depository for Euroclear Bank S.A./N.V., as operator of the Euroclear System (“**Euroclear**”) and/or Clearstream Banking, société anonyme, Luxembourg (“**Clearstream, Luxembourg**”) and/or any other relevant clearing system.

The relevant Pricing Supplement will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the “**TEFRA C Rules**”) or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the “**TEFRA D Rules**”) are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

### **Temporary Global Note exchangeable for Permanent Global Note**

If the relevant Pricing Supplement specifies the form of Notes as being “Temporary Global Note exchangeable for a Permanent Global Note”, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (a) presentation and (in the case of final exchange) surrender of the Temporary Global Note at the Specified Office of the Principal Paying Agent; and
- (b) receipt by the Principal Paying Agent of a certificate or certificates of non-U.S. beneficial ownership, within 7 days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; *provided, however, that* in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Notes in definitive form (“**Definitive Notes**”):

- (i) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or
- (ii) at any time, if so specified in the relevant Pricing Supplement; or
- (iii) if the relevant Pricing Supplement specifies “in the limited circumstances described in the Permanent Global Note”, then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 12 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender

of the Permanent Global Note at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

#### **Temporary Global Note exchangeable for Definitive Notes**

If the relevant Pricing Supplement specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Pricing Supplement specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

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

#### **Permanent Global Note exchangeable for Definitive Notes**

If the relevant Pricing Supplement specifies the form of Notes as being “Permanent Global Note exchangeable for Definitive Notes”, then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (i) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or
- (ii) at any time, if so specified in the relevant Pricing Supplement; or
- (iii) if the relevant Pricing Supplement specifies “in the limited circumstances described in the Permanent Global Note”, then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 12 (*Events of Default*) occurs.

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

#### **Terms and Conditions applicable to the Notes**

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under “*Terms and Conditions of the Notes*” below and the provisions of the relevant Pricing Supplement which supplement, amend and/or replace those terms and conditions.

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

### **Legend concerning United States persons**

In the case of any Tranche of Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”

The sections referred to in such legend provide that a United States person who holds a Note, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions of the Notes which, as supplemented, amended and/or replaced by the relevant Pricing Supplement, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from the terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions Relating to the Notes while in Global Form” below.*

### 1. INTRODUCTION

- (a) **Programme:** Capitalia S.p.A. (the “**Bank**”) has established a Euro Medium Term Note Programme (the “**Programme**”) for the issuance of up to euro 12,000,000,000 in aggregate principal amount of notes (the “**Notes**”) including through any such branch of the Bank outside the Republic of Italy as may be specified in the applicable Pricing Supplement (as defined below).
- (b) **Pricing Supplement:** Notes issued under the Programme are issued in series (each a “**Series**”) and each Series may comprise one or more Tranches (each a “**Tranche**”) of Notes. Each Tranche is the subject of a pricing supplement (the “**Pricing Supplement**”) which supplements these terms and conditions (the “**Conditions**”). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Pricing Supplement. In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement shall prevail.
- (c) **Trust Deed:** The Notes are constituted by a trust deed dated 9 May 2003 (as amended or supplemented from time to time, the “**Trust Deed**”) made between the Bank and Deutsche Trust Company Limited as trustee (the “**Trustee**”, which expression includes any successor trustee appointed from time to time under the Trust Deed).
- (d) **Agency Agreement:** The Notes are the subject of a paying agency agreement dated 9 May 2003 (the “**Agency Agreement**”) between the Bank, the Trustee, Deutsche Bank AG London as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time in accordance with the Agency Agreement), and Deutsche Bank Luxembourg S.A. and Credit Suisse First Boston as paying agents (together with the Principal Paying Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in accordance with the Agency Agreement).
- (e) **The Notes:** All subsequent references in these Conditions to “**Notes**” are to the Notes which are the subject of the relevant Pricing Supplement. Copies of the relevant Pricing Supplement are available (as defined below) during normal business hours at the Specified Offices of the Paying Agents, the initial Specified Offices of which are set out below.
- (f) **Summaries:** Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The holders of the Notes (the “**Noteholders**”) and the holders of the related interest coupons, if any (the “**Couponholders**” and the “**Coupons**”, respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

### 2. INTERPRETATION

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

“**Accrual Yield**” has the meaning given in the relevant Pricing Supplement;

“**Additional Business Centre(s)**” means the city or cities specified as such in the relevant Pricing Supplement;

“**Additional Financial Centre(s)**” means the city or cities specified as such in the relevant Pricing Supplement;

**“Business Day”** means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;
- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre; and
- (iii) in relation to the Interest Determination Date, a day on which foreign exchange markets are open for business generally in London and, if the relevant Interest Determination Date relates to an amount of interest payable in euro, a TARGET Settlement Day;

**“Business Day Convention”**, in relation to any particular date, has the meaning given in the relevant Pricing Supplement and, if so specified in the relevant Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) **“Following Business Day Convention”** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) **“Modified Following Business Day Convention”** or **“Modified Business Day Convention”** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) **“Preceding Business Day Convention”** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) **“FRN Convention”**, **“Floating Rate Convention”** or **“Eurodollar Convention”** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred *provided, however, that:*
  - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) **“No Adjustment”** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

**“Calculation Agent”** means the Principal Paying Agent or such other person specified in the relevant Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Pricing Supplement;

**“Coupon Sheet”** means, in respect of a Note, a coupon sheet relating to the Note;

**“Day Count Fraction”** means (subject as provided in Condition 5 (*Fixed Rate Note Provisions*)), in respect of the calculation of an amount for any period of time (the **“Calculation Period”**), such day count fraction as may be specified in these Conditions or the relevant Pricing Supplement and:

- (i) if **“Actual/Actual (ISMA)”** is so specified, means:

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

“**Early Redemption Amount (Tax)**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“**Early Termination Amount**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Pricing Supplement;

“**External Indebtedness**” means any present or future loan, indebtedness or other obligation for or in respect of indebtedness (whether or not initially distributed by means of a private placing) which, in each case, is intended to be, or is for the time being, quoted, listed or ordinarily dealt in on any stock exchange or over-the-counter or other securities market (for which purpose any loan, indebtedness or other obligation shall be deemed not to be capable of being quoted, listed or ordinarily dealt in as aforesaid if the terms of issue expressly so provide) and which is quoted, listed or ordinarily dealt in on any stock exchange or over-the-counter or other securities market outside the Republic of Italy and cleared and settled through a clearing system other than Monte Titoli or any of successors thereof or any other domestic clearing system in the Republic of Italy;

“**Extraordinary Resolution**” has the meaning given in the Trust Deed;

“**Final Redemption Amount**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“**Fixed Coupon Amount**” has the meaning given in the relevant Pricing Supplement;

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

“**Interest Commencement Date**” means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Pricing Supplement;

“**Interest Determination Date**” has the meaning given in the relevant Pricing Supplement;

“**Interest Payment Date**” means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement and, if a Business Day Convention is specified in the relevant Pricing Supplement:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

“**Interest Period**” means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

“**ISDA Definitions**” means the 2000 ISDA Definitions (as further amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc. (formerly the International Swap Dealers Association, Inc.);

“**Issue Date**” has the meaning given in the relevant Pricing Supplement;

“**Issue Price**” has the meaning given in the relevant Pricing Supplement;

“**Margin**” has the meaning given in the relevant Pricing Supplement;

“**Maturity Date**” has the meaning given in the relevant Pricing Supplement;

“**Maximum Redemption Amount**” has the meaning given in the relevant Pricing Supplement;

“**Minimum Redemption Amount**” has the meaning given in the relevant Pricing Supplement;

“**Optional Redemption Amount (Call)**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“**Optional Redemption Amount (Put)**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“**Optional Redemption Date (Call)**” has the meaning given in the relevant Pricing Supplement;

“**Optional Redemption Date (Put)**” has the meaning given in the relevant Pricing Supplement;

“**Participating Member State**” means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty;

“**Payment Business Day**” means:

- (i) if the currency of payment is euro, any day which is:
  - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

- (B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, any day which is:
  - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

**“Principal Financial Centre”** means, in relation to any currency, the principal financial centre for that currency *provided, however, that:*

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (ii) in relation to Australian dollars, it means Sydney and Melbourne and, in relation to New Zealand dollars, it means Wellington and Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

**“Put Option Notice”** means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**“Put Option Receipt”** means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**“Rate of Interest”** means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in relevant Pricing Supplement or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Pricing Supplement;

**“Redemption Amount”** means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Pricing Supplement;

**“Reference Banks”** has the meaning given in the relevant Pricing Supplement or, if none, four (or if the Principal Financial Centre is Helsinki, five) major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

**“Reference Price”** has the meaning given in the relevant Pricing Supplement;

**“Reference Rate”** has the meaning given in the relevant Pricing Supplement;

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

**“Relevant Financial Centre”** has the meaning given in the relevant Pricing Supplement;

**“Relevant Screen Page”** means the page, section or other part of a particular information service (including, without limitation, the Reuter Money 3000 Service and the Moneyline Telerate Service) specified as the Relevant Screen Page in the relevant Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

“**Relevant Time**” has the meaning given in the relevant Pricing Supplement;

“**Reserved Matter**” has the meaning given in Schedule 3 of the Trust Deed;

“**Senior Note**” means a Note specified in the relevant Pricing Supplement as being unsubordinated or not specified as being subordinated;

“**Specified Currency**” has the meaning given in the relevant Pricing Supplement;

“**Specified Denomination(s)**” has the meaning given in the relevant Pricing Supplement;

“**Specified Office**” has the meaning given in the Agency Agreement;

“**Specified Period**” has the meaning given in the relevant Pricing Supplement;

“**Subordinated Note**” means a Note specified in the relevant Pricing Supplement as being subordinated;

“**Subsidiary**” means in relation to any person (the “**first person**”) at any particular time, any other person (the “**second person**”):

- (i) whose majority of votes in ordinary shareholders’ meetings of the second person is held by the first person; or
- (ii) in which the first person holds a sufficient number of votes giving the first person a dominant influence in ordinary shareholders’ meetings of the second person; or
- (iii) which are under the dominant influence of the first person by virtue of certain contractual relationships between the first person and the second person, pursuant to the provisions of Article 2359 of the Italian Civil Code.

“**Talon**” means a talon for further Coupons;

“**TARGET Settlement Day**” means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open;

“**Treaty**” means the Treaty establishing the European Community, as amended; and

“**Zero Coupon Note**” means a Note specified as such in the relevant Pricing Supplement.

(b) **Interpretation:** In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal and/or interest in respect of the Notes of any Series shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 9 (*Redemption and Purchase*) and Condition 11 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 11 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being “**outstanding**” shall be construed in accordance with the Trust Deed; and
- (vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Pricing Supplement, but the relevant Pricing Supplement gives no such meaning or specifies that such expression is “**not applicable**” then such expression is not applicable to the Notes.

### 3. FORM, DENOMINATION AND TITLE

The Notes are in bearer form in the Specified Denomination(s) with Coupons and, if specified in the relevant Pricing Supplement, Talons attached at the time of issue. In the case of a Series of Notes with more than one Specified Denomination, Notes of one Specified Denomination will not be exchangeable for Notes of another Specified Denomination. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

### 4. STATUS

- (a) **Senior Notes:** The Senior Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Bank which will at all times rank *pari passu* among themselves and, subject to the proviso below, equally with all other present and future unsecured obligations (other than subordinated obligations if any) of the Bank (including, without limitation, obligations in respect of deposits), save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. The Bank has covenanted in the Trust Deed that it will treat all Senior Notes equally and that all amounts paid by the Bank in respect of principal and interest (if any) thereon will be paid *pro rata* on all Senior Notes. Provided that certain Senior Notes of the Bank, issued under the Programme prior to the date of issue of the Notes subject to these Conditions, have the benefit of a covenant by the Bank in terms that it will not secure any External Indebtedness on its assets or revenues unless the same or equivalent security is extended equally and rateable to such Senior Notes. The Notes issued subject to these Conditions do not have the benefit of this covenant and therefore would not be secured in these circumstances.
- (b) **Subordinated Notes:**
- (i) The Lower Tier II Subordinated Notes (*Passività Subordinate*), as defined in Title IV, Chapter I, Section II, paragraph 4.2 of the Regulations of the Bank of Italy (*Istruzioni di Vigilanza della Banca d'Italia*) in force at 9 May 2003 and the Upper Tier II Subordinated Notes (*Strumenti Ibridi di Patrimonializzazione*), as defined in Title IV, Chapter 1, Section II, paragraph 4.1 of the Regulations of the Bank of Italy (being those Subordinated Notes that are specified in the relevant Pricing Supplement as being Lower Tier II Subordinated Notes or Upper Tier II Subordinated Notes) and the related Coupons constitute direct, unsecured and subordinated obligations of the Bank and, subject as provided below and in Condition 4(b)(ii) (*Subordinated Notes*), 4(b)(iii) (*Subordinated Notes*) and 4(b)(iv)(A) (*Subordinated Notes*) rank *pari passu* and without any preference among themselves. In relation to each Series of Lower Tier II Subordinated Notes or Upper Tier II Subordinated Notes, all Lower Tier II Subordinated Notes or Upper Tier II Subordinated Notes, as the case may be, of such Series will be treated equally and all amounts paid by the Bank in respect of principal and interest thereon will be paid *pro rata* on all Lower Tier II Subordinated Notes or Upper Tier II Subordinated Notes, as the case may be, of such Series.
- (ii) In the event of the liquidation, dissolution, winding-up or *Liquidazione Coatta Amministrativa* (the latter as described in Articles 80 to 94 of Legislative Decree No. 385 of 1 September 1993, as amended from time to time (the “**Italian Banking Act**”)) of the Bank, the payment obligations of the Bank under the Lower Tier II Subordinated Notes or Upper Tier II Subordinated Notes, as the case may be, and the relative Coupons shall rank in right of payment after unsubordinated, unsecured creditors (including depositors) of the Bank but *pari passu* with all other present and future subordinated obligations of the Bank which do not rank or are not expressed by their terms to rank junior to or senior to the Lower Tier II Subordinated Notes or Upper Tier II Subordinated Notes, as the case may be, and in priority to the claims of shareholders of the Bank.
- (iii) To the extent that the Bank at any time suffers losses which in accordance with Italian laws and regulations would require the Bank to reduce its capital to below the minimum capital (the “**Minimum Capital**”) as provided for by the Bank of Italy from time to time for the issuance or maintenance of the Bank of Italy’s authorisation to carry on banking activities and as determined by the external

auditors of the Bank, the obligations of the Bank in respect of interest and principal under the Upper Tier II Subordinated Notes will be reduced to the extent necessary to enable the Bank to maintain at least the required Minimum Capital. The obligations of the Bank in respect of interest and principal due under the Upper Tier II Subordinated Notes which are so reduced will be reinstated whether or not the maturity date of the relevant obligation has occurred:

- (A) in whole, in the event of dissolution, liquidation, winding-up or *Liquidazione Coatta Amministrativa* of the Bank and with effect immediately prior to the commencement of such dissolution, liquidation, winding-up or order for *Liquidazione Coatta Amministrativa* as if such obligations of the Bank had not been so reduced in accordance with this Condition 4(iii) (*Subordinated Notes*); and
  - (B) in whole or in part, from time to time, to the extent that the Bank, by reason of it having profits, or by reason of it obtaining new capital contributions, or by reason of the occurrence of any other event, would again have at least the Minimum Capital and therefore would not be required to reduce its obligations in respect of principal and interest in accordance with this Condition 4(iii) (*Subordinated Notes*).
- (iv)
- (A) The Bank is not required to pay interest on the Upper Tier II Subordinated Notes on an Interest Payment Date if (1) no annual dividend has been approved, paid or set aside for payment by the shareholders of the Bank in respect of any class of shares of the Bank during the 12 month-period ending on, and including the day which is three London Business Days preceding such Interest Payment Date; or (2) the Board of Directors of the Bank has announced, at the time of publication of any interim accounts of the Bank published during the six month period ending on, and including the day which is three London Business Days preceding such Interest Payment Date that, based on such accounts, no sums are available at such time in accordance with Italian law for the payment of interim dividends, in accordance with Article 2433-*bis* of the Italian Civil Code.
  - (B) Tier III Subordinated Notes (*Prestiti Subordinati di 3o Livello*) (as defined in Title IV, Chapter 3, paragraph 3 of the Regulations of the Bank of Italy) (being those Notes that are specified in the relevant Pricing Supplement as being Tier III Subordinated Notes) and the related Coupons constitute direct, unsecured and subordinated obligations of the Bank and rank *pari passu* among themselves. Tier III Subordinated Notes shall be subject to the same provisions as Upper Tier II Subordinated Notes or Lower Tier II Subordinated Notes except that any Tier III Subordinated Notes shall (1) have a different minimum maturity period, as specified in the relevant Pricing Supplement, and (2) be subject to a lock-in clause pursuant to which payments of interest and repayment of principal amount cannot be effected if such payments or repayment would reduce the total value of the Bank's assets below the Minimum Capital requirements of Italian law.

## 5. FIXED RATE NOTE PROVISIONS

- (a) **Application:** This Condition 5 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) **Accrual of interest:** The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (*Fixed Rate Note Provisions*) (as well after as before judgment) in the manner provided in the Trust Deed (except in the case of Zero Coupon Notes, to which Condition 7(b) (*Late payment on Zero Coupon Notes*) shall apply).
- (c) **Fixed Coupon Amount:** The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

- (d) **Regular Interest Periods:** If all of the Interest Payment Dates fall at regular intervals between the Issue Date and the Maturity Date, then:
- (i) the Notes shall for the purposes of this Condition 5 (*Fixed Rate Note Provisions*) be “**Regular Interest Period Notes**”;
  - (ii) the day and month (but not the year) on which any Interest Payment Date falls shall for the purposes of this Condition 5 (*Fixed Rate Note Provisions*) be a “**Regular Date**”; and
  - (iii) each period from and including a Regular Date falling in any year to but excluding the next succeeding Regular Date shall for the purposes of this Condition 5 (*Fixed Rate Note Provisions*) be a “**Regular Period**”.
- (e) **Irregular first or last Interest Periods:** If the Notes would be Regular Interest Period Notes but for the fact that either or both of:
- (i) the interval between the Issue Date and the first Interest Payment Date; and
  - (ii) the interval between the Maturity Date and the immediately preceding Interest Payment Date
- is longer or shorter than a Regular Period, then the Notes shall nevertheless be deemed to be Regular Interest Period Notes *provided, however, that* if the interval between the Maturity Date and the immediately preceding Interest Payment Date is longer or shorter than a Regular Period, the day and month on which the Maturity Date falls shall not be a “**Regular Date**”.
- (f) **Irregular interest amount:** If the Notes are Regular Interest Period Notes, the amount of interest payable in respect of each Note for any period which is not a Regular Period shall be calculated by applying the Rate of Interest to the principal amount of such Note, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (g) **Day Count Fraction:** In respect of any period which is not a Regular Period the relevant day count fraction (the “**Day Count Fraction**”) shall be determined in accordance with the following provisions:
- (i) if the Day Count Fraction is specified in the relevant Pricing Supplement as being “**30/360**”, the relevant Day Count Fraction will be the number of days in the relevant period (calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed) divided by 360;
  - (ii) if the Day Count Fraction is specified in the relevant Pricing Supplement as being “**Actual/Actual ISMA**” and the relevant period falls during a Regular Period, the relevant Day Count Fraction will be the number of days in the relevant period divided by the product of (A) the number of days in the Regular Period in which the relevant period falls and (B) the number of Regular Periods in any period of one year; and
  - (iii) if the Day Count Fraction is specified in the relevant Pricing Supplement as being “**Actual/Actual ISMA**” and the relevant period begins in one Regular Period and ends in the next succeeding Regular Period, interest will be calculated on the basis of the sum of:
    - (A) the number of days in the relevant period falling within the first such Regular Period divided by the product of (1) the number of days in the first such Regular Period and (2) the number of Regular Periods in any period of one year; and
    - (B) the number of days in the relevant period falling within the second such Regular Period divided by the product of (1) the number of days in the second such Regular Period and (2) the number of Regular Periods in any period of one year.
- (h) **Number of days:** For the purposes of this Condition 5 (*Fixed Rate Note Provisions*), unless the Day Count Fraction is specified in the relevant Pricing Supplement as being 30/360 (in which case the provisions of Condition (g)(i) above shall apply), the number of days in any period shall be calculated on the basis of

actual calendar days from and including the first day of the relevant period to but excluding the last day of the relevant period.

- (i) **Irregular Interest Periods:** If the Notes are not Regular Interest Period Notes and interest is required to be calculated for any period other than an Interest Period, interest shall be calculated on such basis as is described in the relevant Pricing Supplement.

## 6. FLOATING RATE NOTE AND INDEX-LINKED INTEREST NOTE PROVISIONS

- (a) **Application:** This Condition 6 (*Floating Rate Note and Index-Linked Interest Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) **Accrual of interest:** The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (*Floating Rate Note and Index-Linked Note Provisions*) (as well after as before judgment) in the manner provided in the Trust Deed (except in the case of Zero Coupon Notes, to which Condition 7(b) (*Late Payment on Zero Coupon Notes*) shall apply).
- (c) **Screen Rate Determination:** If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
  - (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
  - (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
  - (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
    - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
    - (B) determine the arithmetic mean of such quotations; and
  - (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate (or as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

- (d) **ISDA Determination:** If ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each

Interest Period will be the sum of the Margin and the relevant ISDA Rate where “**ISDA Rate**” in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Pricing Supplement;
  - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Pricing Supplement; and
  - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Pricing Supplement.
- (e) **Index-Linked Interest:** If the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Pricing Supplement.
- (f) **Maximum or Minimum Rate of Interest:** If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Pricing Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (g) **Calculation of Interest Amount:** The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the principal amount of such Note during such Interest Period and multiplying the product by the relevant Day Count Fraction.
- (h) **Calculation of other amounts:** If the relevant Pricing Supplement specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Pricing Supplement.
- (i) **Publication:** The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s), to be notified to the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than four Business Days after the relevant determination date. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.
- (j) **Notifications etc:** All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6 (*Floating Rate Note and Index-Linked Interest Note Provisions*) by the Calculation Agent will (in the absence of manifest error) be binding on the Bank, the Trustee, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.
- (k) **Determination or Calculation by Trustee:** If the Calculation Agent fails at any time to determine a Rate of Interest or to calculate an Interest Amount, the Trustee will determine such Rate of Interest and make such determination or calculation which shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply all of the provisions of these Conditions with any necessary consequential amendments and subject always to any minimum or maximum interest rate stated in the Pricing Supplement to the extent that, in its sole opinion and with absolute discretion, it shall deem fair and reasonable in all the circumstances and will not be liable for any loss, liability, cost, charge or expense which may arise as a result

thereof except in the case of gross negligence or wilful default. Any such determination or calculation made by the Trustee shall be binding on the Bank, Noteholders and Couponholders.

## 7. ZERO COUPON NOTE PROVISIONS

- (a) **Application:** This Condition 7 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) **Late payment on Zero Coupon Notes:** If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
  - (i) the Reference Price; and
  - (ii) a single payment of rolled-up interest calculated at the product of the Accrual Yield specified in the applicable Pricing Supplement (compounded annually) being applied to the Issue Price from (and including) the Issue Date to (but excluding) whichever is the earlier of (A) the date on which all amounts due in respect of the Notes have been paid and (B) the date on which the full amount of the moneys repayable has been received by the Principal Paying Agent or, as the case may be, the Trustee and notice to that effect has been given in accordance with Condition 19 (*Notices*) or individually (except to the extent that there is any subsequent default in payment).

## 8. DUAL CURRENCY NOTE PROVISIONS

- (a) **Application:** This Condition 8 (*Dual Currency Note Provisions*) is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) **Rate of Interest:** If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Pricing Supplement.

## 9. REDEMPTION AND PURCHASE

- (a) **Scheduled redemption:** Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 10 (*Payments*).
- (b) **Redemption of Upper Tier II Subordinated Notes:** The redemption of Upper Tier II Subordinated Notes shall always be subject to the prior approval of the Bank of Italy, such approval being dependent on the Bank maintaining the Minimum Capital requirements (*patrimonio di vigilanza*) as prescribed in Title IV, Chapter 1 of the Regulations of the Bank of Italy immediately following redemption of the Upper Tier II Subordinated Notes. If such approval is not given on or prior to the Maturity Date, the Bank will re-apply to the Bank of Italy for its consent to such redemption forthwith upon its having again, by whatever means, such required Minimum Capital. The Bank will use its reasonable endeavours to maintain such required Minimum Capital and to obtain such approval.
- (c) **Redemption for tax reasons:** The Notes may be redeemed at the option of the Bank in whole, but not in part (subject, in the case of Subordinated Notes, to the prior approval of the Bank of Italy):
  - (i) at any time (if neither the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable); or
  - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable):
    - (A) on giving not less than 30 nor more than 60 days' notice to the Noteholders and the Trustee, at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if the Bank has or will become obliged to pay additional amounts as provided or referred to in Condition 11 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political subdivision or any authority thereof or therein

having power to tax, or any change in the application or official interpretation of such laws or regulations, (including a holding by a court of competent jurisdiction) which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; *provided, however*, that no such notice of redemption shall be given earlier than:

- (1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Bank would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or
- (2) where the Notes may be redeemed only on an Interest Payment Date, 90 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Bank would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Immediately prior to the publication of any notice of redemption pursuant to this paragraph, the Bank shall deliver or procure that there is delivered to the Trustee (A) a certificate satisfactory to the Trustee signed by two Directors of the Bank stating that the Bank is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Bank so to redeem have occurred and (B) an opinion satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Bank has or will become obliged to pay such additional amounts as a result of such change or amendment (and such evidence shall be sufficient to the Trustee and conclusive and binding on the Noteholders). Upon the expiry of any such notice as is referred to in this Condition 9(c) (*Redemption for Tax Reasons*), the Bank shall be bound to redeem the Notes in accordance with this Condition 9(c) (*Redemption for Tax Reasons*).

- (d) **Redemption at the option of the Bank:** If the Call Option is specified in the relevant Pricing Supplement as being applicable, the Notes may be redeemed at the option of the Bank (subject, in the case of Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes and Tier III Subordinated Notes, to the prior approval of the Bank of Italy) in whole or, if so specified in the relevant Pricing Supplement, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Bank's giving (i) not less than 15 nor more than 30 days' notice to the Noteholders (or such other notice period as is specified in the relevant Pricing Supplement) and (ii) not less than 15 days before the giving of the notice referred to in paragraph (i), notice to the Trustee and the Principal Paying Agent (which notices shall be irrevocable and shall oblige the Bank to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).
- (e) **Partial redemption:** If the Notes are to be redeemed in part only on any date in accordance with Condition 9(d) (*Redemption at the option of the Bank*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Principal Paying Agent approves and in such manner as the Principal Paying Agent considers appropriate, subject to compliance with applicable law and the rules of each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation, and the notice to Noteholders referred to in Condition 9(d) (*Redemption at the option of the Bank*) shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Pricing Supplement, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) **Redemption at the option of Noteholders:** This Condition 9(f) (*Redemption at the option of the Noteholders*) shall not apply to Subordinated Notes. If the Put Option is specified in the relevant Pricing Supplement as being applicable, the Bank shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 9(f) (*Redemption at the option of Noteholders*), the holder of a Note must, not less than 15 nor more than 30 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(f) (*Redemption at the option of*

*Noteholders*), may be withdrawn; *provided, however*, that if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 9(f) (*Redemption at the option of Noteholders*), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

- (g) **No other redemption:** The Bank shall not be entitled to redeem the Notes otherwise than as provided in Conditions 9(a) (*Scheduled Redemption*) to 9(f) (*Redemption at the option of Noteholders*) above.
- (h) **Early redemption of Zero Coupon Notes:** Unless otherwise specified in the relevant Pricing Supplement, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
  - (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Pricing Supplement for the purposes of this Condition 9(h) (*Early redemption of Zero Coupon Notes*) or, if none is so specified, a Day Count Fraction of 30E/360.

- (i) **Purchase:** Subject as provided in Condition 9(j) (*Purchase of Lower Tier II and Upper Tier II Subordinated Notes*), the Bank or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, *provided that* all unmatured Coupons and Talons are purchased therewith.
- (j) **Purchase of Lower Tier II and Upper Tier II Subordinated Notes:** Lower Tier II Subordinated Notes and Upper Tier II Subordinated Notes may only be purchased by the Bank or any of its Subsidiaries subject to the prior approval of the Bank of Italy, unless the Notes to be purchased (i) do not exceed 10 per cent. of the aggregate nominal amount of the Series and (ii) are not purchased in order to be surrendered to any Paying Agent for cancellation.
- (k) **Cancellation:** All Notes so redeemed or purchased by any of the Subsidiaries (other than MCC S.p.A.) and any unmatured Coupons and Talons attached to or surrendered with them shall be cancelled and may not be reissued or resold. This Condition 9(k) (*Cancellation*) shall not apply to any Notes so deemed or purchased by the Bank or MCC S.p.A. where that redemption or purchase is made in accordance with Condition 9(i) (*Purchase*) and Condition 9(j) (*Purchase of Lower Tier II and Upper Tier II Subordinated Notes*). As a consequence, all current and future Notes so purchased by the Bank or MCC S.p.A. may be reissued or resold.

*In each case where a redemption is made in accordance with Condition 9(d) (Redemption at the option of the Bank), Condition 9(e) (partial redemption) or Condition 9(f) (Redemption at the option of Noteholders), a notification of such redemption shall be made to the Luxembourg Stock Exchange.*

## 10. PAYMENTS

- (a) **Principal:** Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London).

- (b) **Interest:** Payments of interest shall, subject to Condition 10(h) (*Payments other than in respect of matured Coupon*) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 10(a) (*Principal*) above.
- (c) **Payments in New York City:** Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Bank has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) **Payments subject to fiscal laws:** All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) **Deductions for unmatured Coupons:** If the relevant Pricing Supplement specifies that the Fixed Rate Note Provisions are applicable and a Note is presented without all unmatured Coupons relating thereto:
  - (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however,* that if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
  - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
    - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “**Relevant Coupons**”) being equal to the amount of principal due for payment; *provided, however, that* where this subparagraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
    - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided, however, that,* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in Condition 10(a) (*Principal*) against presentation and (*provided that* payment is made in full) surrender of the relevant missing Coupons.

- (f) **Unmatured Coupons void:** If the relevant Pricing Supplement specifies that this Condition 10(f) (*Unmatured Coupons void*) is applicable or that the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are applicable, on the due date for final redemption of any Note or early redemption of such Note pursuant to Condition 9(c) (*Redemption for tax reasons*), Condition 9(f) (*Redemption at the option of Noteholders*), Condition 9(d) (*Redemption at the option of the Bank*) or Condition 12 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) **Payments on business days:** If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

- (h) **Payments other than in respect of matured Coupons:** Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by Condition 10(c) (*Payments in New York City*) above).
- (i) **Partial payments:** If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (j) **Exchange of Talons:** On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 13 (*Prescription*)). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

## 11. TAXATION

- (a) **Gross up:** All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Bank shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy, the United Kingdom, Belgium, Luxembourg, or the country of tax residence of the branch through which the Bank is issuing the Notes or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Bank shall pay such additional amounts as will result in the receipt by the Noteholders and the Couponholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:
  - (i) in relation to any payment or deduction on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1 April 1996, as amended from time to time, and related regulations which have been or may be enacted; or
  - (ii) in case of any Note having an original maturity of less than eighteen months where such withholding or deduction is required pursuant to Italian Presidential Decree No. 600 of 29 September 1973, as amended from time to time; or
  - (iii) where such withholding or deduction is required pursuant to Italian Legislative Decree No. 512 of 30 September 1983, converted, with amendments, by Law No. 449 of 25 November 1983, as amended from time to time; or
  - (iv) where such withholding or deduction is imposed pursuant to any legislative decrees implementing Law No. 80 of 7 April 2003; or
  - (v) by or on behalf of a holder which:
    - (A) would have been entitled to avoid such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by making a declaration of non-residence or other similar claim for exemption; or
    - (B) is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the Republic of Italy, the United Kingdom, Belgium or Luxembourg, or the country of tax residence of the branch through which the Bank is issuing the Notes, other than the mere holding of such Note or Coupon; or
    - (C) would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the EU; or
  - (vi) more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note or Coupon on the last day of such period of 30 days; or

- (vii) in the Republic of Italy; or
- (viii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.
- (b) **Taxing jurisdiction:** If the Bank becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, references in these Conditions to the Republic of Italy, the United Kingdom, Belgium, Luxembourg, or the country of tax residence of the branch through which the Bank is issuing the Notes shall be construed as references to the Republic of Italy, and/or such other jurisdiction.
- (c) **Additional Amounts:** Any reference in these Terms and Conditions to “**principal**” and/or “**interest**” in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under Condition 9 (*Redemption and Purchase*) and Condition 11 (*Taxation*) or under any undertakings given in addition to or in substitution for this Condition 11 (*Taxation*) pursuant to the Trust Deed. Unless the context otherwise requires, any reference in these Terms and Conditions to “**principal**” shall include any premium payable in respect of any Note, any Instalment Amount or Redemption Amount and any other amounts in the nature of principal payable pursuant to these Terms and Conditions and “**interest**” shall include all amounts payable pursuant to Conditions 5 (*Fixed Rate Note Provisions*) and 6 (*Floating Rate Note and Index-Linked Interest Note Provisions*) and any other amounts in the nature of interest payable pursuant to these Conditions.

## 12. EVENTS OF DEFAULT

- (a) **Events of Default relating to Senior Notes:** This Condition 12(a) (*Events of Default relating to Senior Notes*) applies only to Senior Notes and references to “**Notes**” in this Condition 12(a) (*Events of Default relating to Senior Notes*) shall be construed accordingly. The Trustee at its discretion may, and if so requested in writing by the holders of Notes relating to at least one-quarter of the nominal amount of the Notes outstanding or by an Extraordinary Resolution of the Noteholders shall (but, in the case of the occurrence of any of the events mentioned in paragraph (viii), only if the Trustee shall have certified to the Bank that the occurrence of such event is in its opinion materially prejudicial to the interests of the Noteholders) and in all cases subject to the Trustee having been indemnified or provided with security to its satisfaction) give notice to the Bank that the Notes are, and they shall accordingly immediately become, due and repayable at their Early Redemption Amount together, if appropriate, with accrued interest as provided in the Trust Deed if:
  - (i) a default is made for more than seven days in the repayment on the due date of the principal amount of any of the Notes; or
  - (ii) a default is made for more than fifteen days in the payment on the due date of interest in respect of any of the Notes; or
  - (iii) the Bank is adjudicated or found bankrupt or insolvent or shall stop or threaten to stop payment or shall be found unable to pay its debts, or any order shall be made by any competent court or administrative agency for, or any resolution shall be passed by the Bank for, judicial composition, proceedings with its creditors or for the appointment of an administrator, administrative or other receiver or trustee or other similar official in insolvency proceedings in relation to the Bank or a substantial part of its assets; or
  - (iv) the Bank becomes subject to an order for “*Liquidazione Coatta Amministrativa*”, “*Amministrazione Straordinaria*” or “*Gestione Provvisoria*” (*within the meaning ascribed to those expressions by the laws of the Republic of Italy*); or
  - (v) the Bank fails to pay a final judgment of a court of competent jurisdiction within 60 days from the entering thereof or an execution is levied on or enforced upon or sued out in pursuance of any such judgment against any substantial part of the assets or property of the Bank; or
  - (vi) the Bank shall be wound up or dissolved (otherwise than for the purposes of an amalgamation, merger or reconstruction on terms previously approved by the Trustee); or

- (vii) the Bank shall cease or threaten to cease to carry on all or substantially all of its business (otherwise than for the purposes of an amalgamation, merger or reconstruction on terms previously approved by the Trustee); or
- (viii)
  - (A) the security for any debenture, mortgage or charge of the Bank in respect of any indebtedness for borrowed money of the Bank, where the principal amount (including any premium payable on redemption or at maturity) of such indebtedness is in any one case in excess of euro 10,000,000 or its equivalent in any other currency or currencies, or in aggregate in excess of euro 40,000,000 or its equivalent in any other currency or currencies, shall have become enforceable and legal proceedings are taken to enforce the same (other than where in the opinion of the Trustee the Bank is contesting in good faith and by appropriate proceedings that such indebtedness was due or capable of being rendered due); or
  - (B) any indebtedness for borrowed money of the Bank where the principal amount (including any premium payable on redemption or at maturity) of such indebtedness is in any one case in excess of euro 10,000,000 or its equivalent in any other currency or currencies, or in aggregate in excess of euro 40,000,000 or its equivalent in any other currency or currencies, (other than where in the opinion of the Trustee the Bank is contesting in good faith and by appropriate proceedings that such indebtedness was due or capable of being rendered due) (i) shall become repayable prior to the date for payment thereof by reason of default by the Bank or (ii) shall not be repaid at maturity as extended by any applicable grace period therefore and, in either case, steps shall have been taken to obtain repayment; or
  - (C) any guarantee (other than a guarantee given in the ordinary course of its banking business or where, in the opinion of the Trustee, the Bank is contesting in good faith and by appropriate proceedings that such indebtedness for borrowed money shall not be honoured when due and called where the principal amount (including any premium payable on redemption or at maturity)) of such guarantee is in any one case in excess of euro 10,000,000 or its equivalent in any other currency or currencies or in aggregate in excess of euro 40,000,000 or its equivalent in any other currency or currencies; or
- (ix) default is made by the Bank in the performance or observance of any obligation, condition or provision binding on it or in respect of the Notes, these Conditions or the Trust Deed (other than any obligation for payment of any principal or interest in respect of the Notes) and, except where the Trustee certifies that in its opinion such default is not capable of remedy, such default continues for 30 days after written notice thereof by the Trustee to the Bank requiring the same to be remedied, (each, an “**Event of Default**”).
- (b) *Events of Default relating to Subordinated Notes*: This Condition 12(b) (*Events of Default relating to Subordinated Notes*) applies only to Subordinated Notes and references to “**Notes**”, “**Noteholders**” and “**Couponholders**” in this Condition 12(b) (*Events of Default relating to Subordinated Notes*) shall be construed accordingly.
  - (i) The Trustee at its discretion may, and if so directed in writing by the holders of Notes relating to at least one-quarter of the nominal amount of the Notes outstanding or by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified or provided with security to its satisfaction), give notice to the Bank that the Notes are, and they shall accordingly immediately become, due and repayable at their Early Redemption Amount together, if appropriate, with accrued interest as provided in the Trust Deed if the Bank is wound up or dissolved (otherwise than for the purposes of any amalgamation, merger or reconstruction on terms previously approved by the Trustee) (an “**Event of Default**”);
  - (ii) The Trustee may at its discretion and without further notice institute such proceedings against the Bank as it may think fit to enforce any obligation, condition or provision binding on the Bank under the Trust Deed or in relation to the Notes. The Trustee shall not in any event be bound to take any of the actions referred to in this paragraph (ii) unless it shall have been so directed in writing by the holders of Notes relating to at least one-fifth of the nominal amount of the Notes outstanding or by an Extraordinary

Resolution of the Noteholders and subject to being indemnified or provided with security to its satisfaction.

- (iii) No remedy against the Bank other than as specifically provided by this Condition 12(b) (*Events of Default relating to Subordinated Notes*) or in the Trust Deed shall be available to the Trustee or the Noteholders, or Couponholders whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the Bank of any of its obligations under the Trust Deed or in relation to the Notes or otherwise.

### **13. PRESCRIPTION**

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

### **14. REPLACEMENT OF NOTES AND COUPONS**

If any Note, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent or any Paying Agents (each a “**Replacement Agent**”), subject to all applicable laws and listing authority, stock exchange and/or quotation system requirements, upon payment by the claimant of all expenses incurred in connection with such replacement and upon such terms as to evidence, security, indemnity and otherwise as the Bank and the Replacement Agent may require. Mutilated or defaced Notes, Coupons and Talons must be surrendered before replacements will be delivered therefor.

### **15. THE PAYING AGENTS AND THE CALCULATION AGENT**

The initial Paying Agents and their respective initial specified offices are specified below. The Calculation Agent in respect of any Notes shall be specified in the Pricing Supplement. The Bank reserves the right at any time (with the prior written approval of the Trustee) to vary or terminate the appointment of any Paying Agent (including the Principal Paying Agent) or the Calculation Agent and to appoint additional or other Paying Agents or another Calculation Agent, *provided, however, that* the Bank will at all times maintain:

- (i) a Principal Paying Agent;
- (ii) so long as the Notes are listed on the Luxembourg Stock Exchange and/or are admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system, a Paying Agent with a specified office in Luxembourg and/or in such other place as may be required by the rules of such other listing authority, stock exchange and/or quotation system;
- (iv) if a Calculation Agent is specified in the relevant Pricing Supplement, a Calculation Agent; and
- (v) a Paying Agent in an EU member state (to the extent that such member state exists) that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of all changes in the identities or specified offices of any Paying Agent or the Calculation Agent will be given promptly by the Bank to the Trustee and the Noteholders in accordance with Condition 19 (*Notices*).

### **16. ENFORCEMENT**

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Bank, as it may think fit to enforce the terms of the Trust Deed and the Notes, but it need not take any such proceedings unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-quarter in principal amount of Notes outstanding, and (ii) it shall have been indemnified and/or secured to its satisfaction. No Noteholder or Couponholder may proceed directly against the Bank.

## 17. THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and to be paid its costs and expenses in priority to the claims of the Noteholders. The Trustee is entitled to enter into business transactions with the Bank and any entity related to the Bank without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual Noteholders or Couponholders as a result of such holders being connected in any way with a particular territory or taxing jurisdiction.

## 18. MEETINGS OF NOTEHOLDERS; MODIFICATION AND WAIVER

- (a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Trustee, the Bank or by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of such outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing more than one half of the aggregate principal amount of the outstanding Notes of such Series or, at any adjourned meeting, one or more persons being or representing Noteholders whatever the principal amount of the Notes of such Series held or represented; *provided, however, that* any proposal relating to a Reserved Matter may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more persons holding or representing not less than two thirds or, at any adjourned meeting, one third of the aggregate principal amount of the outstanding Notes of such Series form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

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

- (b) **Modification:** The Trustee may (subject to certain exceptions) without the consent of the Noteholders or the Couponholders (i) agree to any modification of these Conditions or of the Trust Deed (other than in respect of Reserved Matters (as defined in terms of the Trust Deed)) which, in any case, in the opinion of the Trustee, is not materially prejudicial to the interests of such Noteholders or Couponholders or is of a formal, minor, or technical nature or which is made to correct a manifest error, or (ii) waive or authorise any breach or proposed breach by the Bank of any of the provisions of these Conditions applicable to such Notes or the Trust Deed or determine that an Event of Default shall not be treated as such, *provided, however, that* in either case, in the Trustee's opinion, the interests of the such Noteholders or Couponholders will not be materially prejudiced thereby. Any such modification, waiver, authorisation or determination shall be binding on the such Noteholders and Couponholders and unless the Trustee agrees otherwise, shall be notified to such Noteholders as soon as practicable thereafter.

In connection with the exercise of its powers, trusts, authorities or discretions (including but not limited to, those in relation to any proposed modification, waiver, authorisation, determination or assumption as aforesaid) in relation to any Series of Notes, the Trustee shall have regard to the interest of the Noteholders as a class and, in particular, but without prejudice to the generality of the foregoing, shall not have regard to the consequences of such exercise for individual Noteholders resulting from their being, for any purpose, domiciled or resident in, or otherwise connected with, or subject to any jurisdiction of, any particular territory. No Noteholder shall, in connection with any assumption as aforesaid, be entitled to claim from the Bank any indemnification or payment in respect of any tax consequence of any such substitution upon individual Noteholders except to the extent already provided for in Condition 11 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 11 (*Taxation*).

## 19. NOTICES

Notices to Noteholders will, save where another means of effective communication has been specified herein or in the Pricing Supplement, be deemed validly given if (i) published in a leading daily newspaper having general circulation in London (which is expected to be the *Financial Times*) and (ii) in the case of any Notes which are listed on the Luxembourg Stock Exchange (so long as such Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require), in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or (in the case of (i) or (ii), if such publication is not practicable in the opinion of the Trustee, if published in a leading English language daily newspaper having general circulation in Europe approved by the Trustee. The Bank shall also ensure that notices are duly published in compliance with the requirements of each stock exchange on which the Notes are listed. Any notice so given will be deemed to have been validly given on the date of first such publication (or, if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders will be deemed for all purposes to have notice of the contents of any notice given to Noteholders in accordance with this Condition 20 (*Notices*).

## 20. ROUNDING

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

## 21. REDENOMINATION, RENOMINALISATION AND RECONVENTIONING

- (a) **Application:** This Condition 21 (*Redenomination, Renominalisation and Reconventioning*) is applicable to the Notes only if it is specified in the relevant Pricing Supplement as being applicable.
- (b) **Notice of redenomination:** If the country of the Specified Currency becomes or, announces its intention to become, a Participating Member State, the Bank may, without the consent of the Noteholders and Couponholders, on giving at least 30 days' prior notice to the Noteholders and the Paying Agents and having notified the Trustee prior to the provision of such notice, designate a date (the "**Redenomination Date**"), being an Interest Payment Date under the Notes falling on or after the date on which such country becomes a Participating Member State.
- (c) **Redenomination:** Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:
- (i) the Notes shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount for each Note equal to the principal amount of that Note in the Specified Currency, converted into euro at the rate for conversion of such currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); *provided, however, that*, if the Bank determines, with the agreement of the Trustee that market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Bank shall promptly notify the Noteholders and Couponholders, each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the Paying Agents of such deemed amendments;
  - (ii) if Notes have been issued in definitive form:

- (A) all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date (the “**Euro Exchange Date**”) on which the Bank gives notice (the “**Euro Exchange Notice**”) to the Noteholders that replacement Notes and Coupons denominated in euro are available for exchange (*provided that* such Notes and Coupons are available) and no payments will be made in respect thereof;
  - (B) the payment obligations contained in all Notes denominated in the Specified Currency will become void on the Euro Exchange Date but all other obligations of the Bank thereunder (including the obligation to exchange such Notes in accordance with this Condition 21 (*Redenomination, Renominalisation and Reconventioning*)) shall remain in full force and effect; and
  - (C) new Notes and Coupons denominated in euro will be issued in exchange for Notes and Coupons denominated in the Specified Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice; and
- (iii) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the Specified Currency ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Member State of the European Communities.
- (d) **Interest:** Following redenomination of the Notes pursuant to this Condition 21 (*Redenomination, Renominalisation and Reconventioning*), where Notes have been issued in definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of the Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder.
- (e) **Interest Determination Date:** If the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable and Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, with effect from the Redenomination Date the Interest Determination date shall be deemed to be the second TARGET Settlement Day before the first day of the relevant Interest Period.

## 22. FURTHER ISSUES

The Bank may from time to time, without the consent of the Noteholders or Couponholders, create and issue further notes such further notes to rank *pari passu* in all respects (or in all respects save for the date of, and the amount of, first payment of interest in such further notes) with the outstanding Notes and so that the same shall be consolidated and form a single series with the outstanding Notes.

## 23. LAW AND JURISDICTION

- (a) **Governing Law:** The Trust Deed, the Notes and all matters arising from or connected with the Notes are governed by, and shall be construed in accordance with, English law except for Condition 4(b) (*Subordinated Notes*) and 10(b) (*Redemption of Upper Tier II Subordinated Notes*) which are governed by, and shall be construed in accordance with, Italian law.
- (b) **English courts:** The courts of England have exclusive jurisdiction to settle any dispute (a “**Dispute**”), arising from or connected with the Trust Deed or the Notes.
- (c) **Appropriate forum:** The Bank agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) **Rights of the Noteholders and Trustee to take proceeding outside England:** Condition 23(b) (*English courts*) is for the benefit of the Trustee and the Noteholders only. As a result, nothing in this Condition 23 (*Law and jurisdiction*) prevents the Trustee or any Noteholder from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, the Trustee and Noteholders may take concurrent Proceedings in any number of jurisdictions.

- (e) *Service of process*: The Bank agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to the London Branch of Banca di Roma S.p.A. at 87 Gresham Street, London EC2V 7NQ or at any address of the Bank in Great Britain at which service of process may be served on it in accordance with Part XXIII of the Companies Act 1985. Nothing in this paragraph shall affect the right of the Trustee or any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

#### **24. RIGHTS OF THIRD PARTIES**

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

## FORM OF PRICING SUPPLEMENT

*The Pricing Supplement in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Pricing Supplement but denotes directions for completing the Pricing Supplement.*

**Pricing Supplement dated [●]  
Capitalia S.p.A.  
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the euro 12,000,000,000  
Euro Medium Term Note Programme**

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Information Memorandum dated 27 May 2004. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Information Memorandum.

*The following alternative language applies if the first tranche of an issue which is being increased was issued under an Information Memorandum with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") set forth in the Information Memorandum dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the dated Information Memorandum [current date] [and the supplemental Information Memorandum dated [●], save in respect of the Conditions which are extracted from the dated Information Memorandum [original date] and are attached hereto].

*[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]*

- |  |   |
|--|---|
| 1. Issuer:   | Capitalia S.p.A   |
| [(a) Branch:]  | [Not Applicable/name]   |
| 2. (i) Series Number:  | [●]   |
| (ii) [Tranche Number: (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).] | [●]   |
| 3. Specified Currency or Currencies:   | [●]   |
| 4. Aggregate Nominal Amount:   |   |
| [(i) Series:   | [●]   |
| [(ii) Tranche:   | [●]]  |
| 5. [(i) Issue Price:   | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)] |
| [(ii) Net proceeds:  | [●] (Required only for listed issues)]  |
| 6. Specified Denominations:  | [●] [●]   |
| 7. [(i) Issue Date:  | [●]   |
| [(ii) Interest Commencement Date (if different from the Issue Date):   | [●]]  |

8. Maturity Date: *[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]*
- [If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to “professional investors” or (ii) another applicable exemption from section 19 of the FSMA must be available.]*
9. Interest Basis: *[[●] per cent. Fixed Rate] [[specify reference rate] +/- [●] per cent. Floating Rate] [Zero Coupon] [Index-Linked Interest] [Other (specify)](further particulars specified below)*
10. Redemption/Payment Basis: *[Redemption at par] [Index-Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [Other (specify)]*
11. Change of Interest or Redemption/Payment Basis: *[Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis]*
12. Put/Call Options: *[Investor Put] [Issuer Call] [(further particulars specified below)]*
13. Status of the Notes: *[Senior/[Dated/Perpetual]/ Upper Tier II/Lower Tier II/Tier III/Subordinated]*
14. Listing: *[Application has been made for the Notes to be listed on the Luxembourg Stock Exchange/other (specify)/None]*
15. Method of distribution: *[Syndicated/Non-syndicated]*

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

16. **Fixed Rate Note Provisions** *[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest: *[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]*
- (ii) Interest Payment Date(s): *[●] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of “Business Day”]/not adjusted]*
- (iii) Fixed Coupon Amount[(s)]: *[●] [per Note of [●] Specified Denomination and per Note of [●] Specified Denomination]*
- (iv) Day Count Fraction: *30/360 /[Actual/Actual (ISMA)] / [other]*
- (v) Broken Amount(s): *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]]*

- (vi) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details] (Consider if day count fraction, particularly for Euro denominated issues, should be on an Actual/Actual basis. Also consider what should happen to unmatured Coupons in the event of early redemption of the Notes.)

## 17. Floating Rate Note Provisions

[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph. Also consider whether EURO BBA LIBOR or EURIBOR is the appropriate reference rate)

- (i) Specified Period(s)/Specified Interest Payment Dates: [●]
- (ii) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/Modified Following Business Convention/ Preceding Business Day Convention/ other (give details)]
- (iii) Additional Business Centre(s): [Not Applicable/give details]
- (iv) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (give details)]
- (v) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Principal Paying Agent): [[Name] shall be the Calculation Agent (no need to specify if the Principal Paying Agent is to perform this function)]
- (vi) Screen Rate Determination:
- Reference Rate: [For example, LIBOR or EURIBOR]
  - Relevant Screen Page: [For example, Moneyline Telerate page 3750/248]
  - Interest Determination Date(s): [●]
  - Relevant Time: [For example, 11:00 a.m. London time/Brussels time]
  - Relevant Financial Centre: [For example, London/Euro-zone (where Eurozone means the region comprised of the countries whose lawful currency is the euro)]
  - Reference Banks [●]
- (vii) ISDA Determination:
- Floating Rate Option: [●]
  - Designated Maturity: [●]
  - Reset Date: [●]
- (viii) Margin(s): [+/-][●] per cent. per annum
- (ix) Minimum Rate of Interest: [●] per cent. per annum
- (x) Maximum Rate of Interest: [●] per cent. per annum
- (xi) Day Count Fraction: [●]

- (xii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [●]
18. **Zero Coupon Note Provisions** [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) [Amortisation/Accrual] Yield: [●] per cent. per annum
- (ii) Reference Price: [●]
- (iii) Any other formula/basis of determining amount payable: [Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition 9(h) (Early redemption of Zero Coupon Notes)]
19. **Index-Linked Interest Note Provisions** [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Index/Formula: [Give or annex details]
- (ii) Calculation Agent responsible for calculating the interest due: [●]
- (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [●]
- (iv) Specified Period(s)/Specified Interest Payment Dates: [●]
- (v) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
- (vi) Additional Business Centre(s): [●]
- (vii) Minimum Rate of Interest: [●] per cent. per annum
- (viii) Maximum Rate of Interest: [●] per cent. per annum
- (ix) Day Count Fraction: [●]
20. **Dual Currency Note Provisions** [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate of Exchange/method of calculating Rate of Exchange [Give details]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [●]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [●]

## PROVISIONS RELATING TO REDEMPTION

21. **Call Option** [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s) (Call): [●]
  - (ii) Optional Redemption Amount(s) (Call) of each Note and method, if any, of calculation of such amount(s): [●]
  - (iii) If redeemable in part:
    - (a) Minimum Redemption Amount: [●]
    - (b) Maximum Redemption Amount: [●]
  - (iv) Notice period: [●]
22. **Put Option** [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s) (Put): [●]
  - (ii) Optional Redemption Amount(s) (Put) of each Note and method, if any, of calculation of such amount(s): [●]
  - (iii) Notice period: [●]
23. **Final Redemption Amount of each Note** [[●]per Note of specified denomination/other/see Appendix]
24. **Early Redemption Amount**
- Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions): [Not Applicable *(if both the Early Redemption Amount (Tax) and the Early Termination Amount are the principal amount of the Notes/specify the Early Redemption Amount (Tax) and/or the Early Termination Amount if different from the principal amount of the Notes)*]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes: **Bearer Notes:**
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days notice/at any time/in the limited circumstances specified in the Permanent Global Note.]
- [Temporary Global Note exchangeable for Definitive Notes on [●] days notice.]
- [Permanent Global Note exchangeable for Definitive Notes on [●] days notice/at any time/in the limited circumstances specified in the Permanent Global Note.]
26. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details. Note that this item relates to the place of payment, and not interest period end dates, to which item(s) 16(ii), 17(iii) and 19(v)relate]

27. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/*give details*]
29. Redenomination, renominatisation and reconventioning provisions: [Not Applicable / The provisions [in Condition 21 (*Redenomination, Renominatisation and Reconventioning*)] [annexed to this Pricing Supplement] apply]
30. Consolidation provisions: [Not Applicable/The provisions [in Condition 22 (*Further Issues*)] [annexed to this Pricing Supplement] apply]
31. Other terms or special conditions: [Not Applicable/*give details*]

#### **DISTRIBUTION**

32. (i) If syndicated, names of Managers: [Not Applicable/*give names*]  
(ii) Stabilising Manager (if any): [Not Applicable/*give name*]
33. If non-syndicated, name of Dealer: [Not Applicable/*give name*]
34. TEFRA: [Not Applicable/The [C/D] Rules are applicable]
35. Additional selling restrictions: [Not Applicable/*give details*]

#### **OPERATIONAL INFORMATION**

36. ISIN Code: [●]
37. Common Code: [●]
38. Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking société anonyme and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
39. Delivery: Delivery [against/free of] payment
40. Additional Paying Agent(s) (if any): [●]

#### **ADDITIONAL INFORMATION**

41. Share capital of the Issuer: [●]
42. Corporate object of the Issuer: [●]
43. Competent Company Registry of the Issuer: [●]
44. Registered office of the Issuer: [●]

#### **[LISTING APPLICATION**

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the euro 12,000,000,000 Euro Medium Term Note Programme of Capitalia S.p.A.]

**RESPONSIBILITY**

The Bank accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Bank:

By:

Duly Authorised

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

### Clearing System Accountholders

Each Global Note will be in bearer form. Consequently, in relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions of the Notes to “**Noteholder**” are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depository or common depository.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an “**Accountholder**”) must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder’s share of each payment made by the Bank to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note, Accountholders shall have no claim directly against the Bank in respect of payments due under the Notes and such obligations of the Bank will be discharged by payment to the bearer of the Global Note.

### Exchange of Temporary Global Notes

Whenever any interest in a Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Bank shall procure:

- (a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated, to the bearer of the Temporary Global Note; or
- (b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Note in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Principal Paying Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Note at the Specified Office of the Principal Paying Agent within 7 days of the bearer requesting such exchange.

Whenever a Temporary Global Note is to be exchanged for Definitive Notes, the Bank shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

If:

- (a) a Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of a Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (b) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Temporary Global Note has requested exchange of the Temporary Global Note for Definitive Notes; or
- (c) a Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of a Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment, then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, as the case may

be) will become void at 5:00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5:00 p.m. (London time) on such thirtieth day (in the case of (b) above) or at 5:00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under a trust deed dated 9 May 2003, as supplemented by a supplemental trust deed dated 27 May 2004 (the “**Trust Deed**”) executed by the Bank and Deutsche Trustee Company Limited, as trustee). Under the Trust Deed, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire directly against the Bank all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

### **Exchange of Permanent Global Notes**

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Bank shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been delivered by 5:00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Note has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) a Permanent Global Note (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Note in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5:00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5:00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Trust Deed. Under the Trust Deed, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Permanent Global Note will acquire directly against the Bank all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

### **Conditions applicable to Global Notes**

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

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

**Exercise of put option:** In order to exercise the option contained in Condition 9(f) (*Redemption at the option of Noteholders*) the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Principal Paying Agent

specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

**Partial exercise of call option:** In connection with an exercise of the option contained in Condition 9(d) (*Redemption at the option of the Bank*) in relation to some only of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Bank in accordance with the Conditions and the Notes to be redeemed will be selected as provided in the Conditions.

**Notices:** Notwithstanding Condition 19 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 19 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

**Redenomination:** If the Notes are redenominated pursuant to Condition 21 (*Redenomination, Renominalisation and Reconventioning*), then following redenomination:

- (a) if Definitive Notes are required to be issued, they shall be issued at the expense of the Bank in the denominations of euro 0.01, euro 1,000, euro 10,000, euro 100,000 and such other denominations as the Principal Paying Agent shall determine and notify to the Noteholders; and
- (b) the amount of interest due in respect of Notes represented by a Permanent Global Note and/or a Temporary Global Note will be calculated by reference to the aggregate principal amount of such Notes and the amount of such payment shall be rounded down to the nearest euro 0.01.

## THE ISSUER

The Issuer (hereinafter also referred to as ‘Capitalia’) is the holding company of the Capitalia Group, a full-service banking group based in Rome and the fourth largest banking group in Italy in terms of assets at year-end 2003. At 31 December, 2003 the Capitalia banking group held direct funding of €72,913 million (6.8% of the Italian national total), had customer loans of €75,227 million (6.2% of the Italian national total), held assets under management of €31,540 million (6.1% of the Italian national total) and had more than 1,900 branches and approximately five million customers.

The Capitalia Group was formed in July 2002 following the merger of the former Bancaroma and Bipop Carire groups. For further information, please refer to the discussion under “—Formation of the Capitalia Group” below.

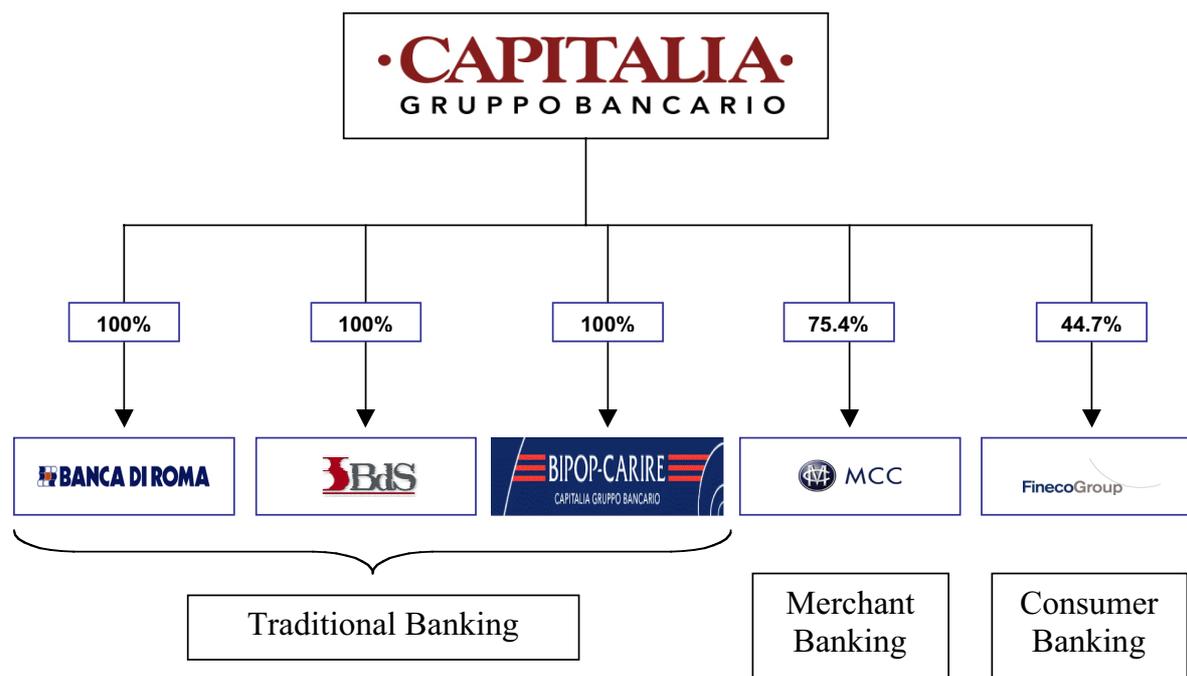
The Group is organised into three business lines, which operate through five principal subsidiaries:

- **Traditional Banking:** The Group carries out its traditional banking activities (including retail, private and corporate banking) through three subsidiaries, drawing on complementary geographic strengths to cover the entire Italian market:
  - *Banca di Roma S.p.A.* (“**Banca di Roma**”) with 1,123 branches, of which 49% are located in Central Italy, 24% in Northern Italy and 27% in Southern Italy
  - *Banco di Sicilia S.p.A.* (“**Banco di Sicilia**”) with 508 branches, of which 87% are located in Southern Italy
  - *Bipop Carire S.p.A.* (“**Bipop Carire**”) with 283 branches, of which 92% are located in Northern Italy.

See also “– Activities by Business Line – Traditional Banking”.

- **Merchant and Investment Banking:** The Group carries out merchant and investment banking through MCC S.p.A. (“**MCC**”) (formerly Mediocredito Centrale S.p.A.). MCC’s activities include corporate finance, mergers and acquisitions advice, capital markets operations, securities brokerage and trading and private equity investment. See also “– Activities by Business Line – Merchant and Investment Banking”.
- **Consumer Banking:** The Group provides integrated consumer banking services through its 44.7% interest in FinecoGroup S.p.A (“**FinecoGroup**”). FinecoGroup’s subsidiaries provide investment management services, private banking, bancassurance, on-line finance and securities brokerage, and other financial services such as mortgages, leasing and consumer credit. See also “– Activities by Business Line – Consumer Banking”.

The chart below shows a simplified structure of the Capitalia Group as at 5 May, 2004:



### Key Accounting Information

The information contained in this section “The Issuer” and elsewhere in this Information Memorandum includes financial and operating information for the Group for the years ended 31 December, 2003 and 2002. Unless otherwise indicated, the 2002 financial information included in this section has been prepared by the Issuer on a restated basis (based in part on estimated data) in order to be comparable with the audited consolidated financial data for the year ended 31 December, 2003.

In particular, the consolidated balance sheet figures as at 31 December, 2003 reflect two events that changed the scope of consolidation with respect to the same data as at 31 December, 2002. Consequently, in order to render the 2002 data comparable with the 2003 data, the consolidated balance sheet figures as at 31 December, 2002 have been restated (based in part on estimates) with the following adjustments:

- Entrium Direct Bankers A.G., which was disposed of during 2003, was eliminated from the 2002 consolidated accounts. Entrium represented approximately €1.9 billion in risk weighted assets in the unadjusted audited 2002 consolidated financial statements; and
- Holding Banca della Rete S.p.A., 51% of which was sold on 19 December, 2003, and was eliminated from line by line consolidation together with its subsidiaries. Since the Group still holds 49% in these companies, they have been accounted for in the restated financial information using the equity method. In the 2002 unadjusted audited consolidated financial statements, Holding Banca della Rete reported a net loss of €70 million and, at year-end 2002, €27 million in shareholders’ equity.

The consolidated income statement figures for the year ended 31 December, 2002 have been restated (based in part on estimated data) in order to render them comparable with those for 2003. The adjustments take into account the changes in the scope of consolidation mentioned immediately above as well as:

- the deconsolidation of the line by line impact of 147 branches, which were sold at the end of 2002. In 2002, based on unaudited management data, these branches generated revenues of €133 million, represented direct costs of €68 million, and generated net income of €36 million;

- the elimination of accrued tax credits for approximately €310 million in respect of dividends and the corresponding deferred tax items, effected to render the income statement in line with Italian GAAP;
- the reclassification as “other income” of €56 million of “additional interest”, deriving from a junior security in the portfolio of Fineco Leasing, from “net interest income”; and
- the reclassification as “extraordinary income” of €100 million of dividends of the former Bipop Carire Group for the first half of 2002.

The restated financial information for the year ended 31 December, 2002 has been prepared by the Issuer based on the audited consolidated financial statements as at and for the year ended 31 December, 2002 as well as on the basis of the Issuer’s internal accounting records and the application of the adjustments referred to above. This restated financial information has also been included by the Issuer in its published audited consolidated financial statements as at and for the year ended 31 December, 2003. However, this restated financial information has not been audited by independent auditors, it is provided for comparative purposes only and the Issuer therefore cautions against placing undue reliance thereon.

See also “Summary Consolidated and Unconsolidated Financial and Operating Information of the Issuer”. All such financial information should be read in conjunction with the documents incorporated by reference herein as set out under “Documents Incorporated by Reference”.

The following table shows summary of financial and operating data for the Group for 2003 and 2002.

	<b>Year ended and as at 31 December,</b>		
	<b>2003 (audited)</b>	<b>2002<sup>(1)</sup></b>	<b>Variation</b>
<b>(€ millions, except operating data)</b>			
<b>Balance sheet data:</b>			
Loans to customers .....	75,227	76,170	- 1.2%
Securities portfolio .....	13,306	16,510	- 19.4%
Direct funding from customers.....	72,913	75,021	- 2.8%
Net interbank position.....	9,897	11,813	- 16.2%
Equity investments .....	3,070	1,893	+ 62.2%
<b>Income statement data:</b>			
Net interest income .....	2,444	2,532	- 3.5%
Gross income .....	4,801	4,453	+ 7.8%
Gross operating surplus .....	1,459	967	+ 50.9%
Income (loss) on ordinary operations.....	(103)	(1,363)	- 92.5%
Income (loss) before taxes .....	136	(526)	—
Net income (loss) .....	31	(328)	—
<b>Other operating data:</b>			
Number of employees.....	28,229	30,760	- 8.2%
Number of branches .....	1,946	1,954	- 0.4%

(1) Information for 2002 has been prepared on restated basis. See “The Issuer – Key Accounting Information” for a description of the basis of the restatement.

The table below shows the ratings assigned to the Issuer by Fitch Ratings and Moody’s as at 5 May, 2004:

	<b>Long term</b>	<b>Short term</b>	<b>Individual</b>	<b>Outlook</b>
Fitch Ratings .....	BBB+	F2	D	stable
Moody’s.....	A2	P-1	C	stable

## Strategy

In the autumn of 2002, following the Group's formation, the Capitalia Group approved its Business Plan 2003-2005 (the "**Business Plan**"). The aim of the Business Plan is to position the Group for increased profitability and shareholder value through the implementation of strategic initiatives in the following areas:

- asset quality and balance sheet structure;
- risk and capital management;
- network rationalisation and disposal of non-core activities;
- human resources;
- management structure and corporate governance;
- increased revenues; and
- cost reductions.

The Business Plan establishes both general objectives and specific performance targets, using benchmarking to measure progress and indicate where corrective action is needed. During 2002, priority was given to the issues that were regarded as being of immediate importance following the Group's formation, particularly increasing asset quality, strengthening the balance sheet, overhauling management and corporate governance, disposing of non-core activities and increasing revenues. Management believes that each of the objectives set in these areas for 2002 and 2003 was achieved or exceeded.

The Capitalia Group is implementing the following specific strategic initiatives as part of the Business Plan:

### *Asset quality and balance sheet structure*

The Group's strategy to improve asset quality and strengthen its balance sheet is based on three major initiatives: restructuring of the loan portfolio, reductions of impaired assets and significant improvements in credit recovery performance.

### *Loan portfolio*

In order to restructure its loan portfolio, the Group has developed a proprietary loan rating model that complies with the Basel II Protocol principles. In 2002 Moody's Investors Service Inc. and Dun & Bradstreet reviewed the model, stating that it complied with best international practices. Using this know-how, the Group has analysed the structure and characteristics of the performing loan portfolios held by its three traditional banking networks, Banca di Roma, Banco di Sicilia and Bipop Carire.

In connection with this process, the Group made significant value adjustments to its loan portfolio in 2002 as well as in 2003 in order to reflect the deteriorating economic climate and the specific difficulties faced by certain large industrial borrowers to which the Group is exposed. The Group also implemented a new credit policy containing a risk-adjusted pricing mechanism, which is being applied both to new loans and to the repricing of existing loans.

### *Impaired Assets*

As a result of the measures mentioned above aimed at renewing its credit processes, the Group has reduced the number of performing loans being reclassified as impaired loans, while increasing recoveries on loans classified as bad debts or non-performing loans ("NPLs" or "*sofferenze*"). Between 2002 and 2003, net non-performing loans decreased by 0.3% to €4,543 million at year end 2003, despite the significant impact of loans extended to the Parmalat group (now in receivership). Excluding Parmalat loans, during 2003 net non-performing loans decreased by 4.7% and doubtful loans ("*sofferenze*" plus "*incagli*") decreased by

5.4%. Coverage of net non-performing loans increased from 52.9% at 31 December, 2002 to 55.3% at 31 December, 2003, while that of doubtful loans rose by two percentage points during 2003 to 48.5%.

To reduce the non-performing loans on its balance sheet, Capitalia carried out two securitisations of NPLs in 1999 and a further securitisation in 2001. The NPLs were purchased on a non-recourse basis by three special purpose vehicles called Trevi Finance, Trevi Finance 2, and Trevi Finance 3. The net book value of the NPLs of these three securitisation transactions totalled approximately €4,984 million (respectively, Trevi Finance €1,586 million, Trevi Finance 2 €1,724 million and Trevi Finance 3 €1,664 million), while the purchase price (i.e., the amount paid by the special purpose vehicles to Capitalia) totalled approximately €4,377 million (respectively, €1,441 million for Trevi Finance, €1,521million for Trevi Finance 2 and €1,416 million for Trevi Finance 3). The servicer of these NPL portfolios is Capitalia, although in May 2003 a joint venture, Capitalia Service J.V., was established as a sub-servicer with the aim of increasing the speed of the recovery process (see “– Credit recovery”). As of 31 December, 2003, the three Trevi special purpose vehicles had collected 23.5%, 22.4% and 15.8%, respectively, of the initial net book values. To finance the acquisition of the NPL portfolios, the three Trevi special purpose vehicles issued a total of approximately €4,673 million in securities (respectively, €1,535.4 million, €1,619.4 and €1,518.2 million), of which €1,870 million in Class A securities and €505 million in Class B securities were placed principally with institutional investors, and are rated by the principal rating agencies.

#### *Credit recovery*

During 2002-2003, the Group carried out a thorough review and renewal of its credit recovery processes for NPLs still on its balance sheet and for those securitised in Trevi Finance, Trevi Finance 2 and Trevi Finance 3. As part of this focus, Capitalia created a specialised loan work-out function to focus on recovery of NPLs of over €20 million in value. Further, the Group and Archon Group Italia S.r.l., a member of the Goldman Sachs group, formed Capitalia Service J.V., the credit recovery joint venture mentioned above, to focus on the recovery of bad debts of under €20 million in value. The joint venture manages approximately €3 billion of net NPLs on the Group’s balance sheet and approximately a further €3 billion in net NPLs relating to the three Trevi securitisations.

In June 2003, the Group signed an agreement with Pirelli & C. Real Estate S.p.A. to establish three real estate trading companies specialised in acquiring properties through court sponsored auctions for assets related to the three Trevi securitisations.

Finally, Capitalia and Capitalia Service J.V. are working to produce a business plan which will provide a forecast of future NPL recovery performance and the probable effects of such performance on the financial structure of the Trevi vehicles, and, therefore, on the Class A and B securities.

#### ***Risk and capital management***

The Business Plan provides for a reduction in the Group’s risk-weighted assets through three principal initiatives: the reduction of interbank exposure, the reappraisal of customer exposures and a review of the Group’s portfolio of own securities. Through these measures, the Group’s target under the Business Plan was to increase its Tier 1 ratio, a key indicator of capital adequacy, from 6.2% at 31 December, 2002 to 6.9% by 2005.

By year-end 2003, the Group had succeeded in reducing its net interbank exposure from €11.8 billion at 31 December, 2002 to €9.9 billion. Risk-weighted assets were reduced from €98.5 billion at 31 December, 2002 to €89.4 billion at year-end 2003. As a result, the Group achieved its core Tier 1 ratio target of 6.9% by 31 December, 2003, considerably ahead of schedule.

An analysis of Value at Risk (“VaR”) shows that the “risk adjusted” approach adopted by the Group has led to a significant reduction of financial risk. At 31 December, 2001 the VaR of Capitalia’s trading portfolio amounted to €24.8 million, while at 31 December, 2003 VaR was equal to €5.8 million despite a significant increase in volatility in both the fixed income and equity markets.

### ***Network rationalisation and disposal of non-core activities***

The Business Plan provided for the following initiatives relating to the rationalisation of the network and the disposal of non-core activities, which were largely completed by year-end 2003:

- a reduction in the size of the network by approximately 150 branches: this goal has been achieved and, among other things, has enabled the Group to rebalance the geographic distribution of its branches;
- a reduction in the Issuer's equity interest in MCC, following which the Issuer currently retains a 75.4% interest in MCC;
- the optimisation of the Group's portfolio of equity investments; and
- the disposal of activities such as Entrium Direct Bankers A.G. (a retail network based in Germany) and the deconsolidation of Holding Banca della Rete S.p.A. (a financial sales network based in Italy), both of which were carried out in 2003.

### ***Human resources***

The Business Plan provides for a reduction of more than 3,700 employees between 2002 and 2005, or approximately 12% of 2002 headcount. By the end of 2003 over 2,000 employees had left the Group as a result of normal departures, early retirement schemes and divestments of business activities. By 2005, the reductions will be partly offset by the expected hiring of 1,700 highly qualified employees.

In addition, under the Business Plan, the Group began a training and organisational development programme in 2002 involving new systems of assessment, management-by-objective and remuneration packages. As part of this programme, the Group introduced a stock option plan for management and key professionals.

### ***Management structure and corporate governance***

The Business Plan contains a series of initiatives designed to improve the Group's management structure and corporate governance.

The Group has already implemented an overhaul of its management team (see "Management"), both within the Issuer and at the subsidiary level. The Group has strengthened the rules governing relationships between the Issuer and its operating companies and has reformed its corporate governance structure (see "– Corporate Governance"), focusing on improved centralisation of loan management, product development, strategic marketing, risk management and cost control.

### ***Increased revenues***

The Group's strategy to increase revenues focuses on interest income and commissions. Initiatives designed to increase interest income include (i) expanding lending volumes, particularly building on Bipop Carire's presence in Northern Italy and (ii) focusing on capital management through the reduction of non-performing assets and interbank activity. To increase commission income, the Group is focusing on growth in revenues from asset management and bancassurance, as well as from traditional banking activities.

### ***Cost reductions***

The Group made considerable headway in 2003 in its programme to reduce costs. The Group is focusing in particular on centralised procurement of goods and services, improving its existing information systems and developing new information systems. The Issuer is providing strategic guidance and control in this area for Group subsidiaries.

## Activities by Business Line

The table below shows certain financial and operating data on a non-consolidated basis for the Issuer and its principal operating subsidiaries as at and for the year ended 31 December, 2003 derived from the audited financial statements of each company. For consolidated data, please refer to the table on page 50.

	Capitalia	Banca di Roma	Banco di Sicilia	Bipop Carire	MCC	FinecoGroup
(€ millions, except operating data)						
<b>Income statement data:</b>						
Net interest income .....	(302)	1,740	575	216	66	92
Gross income .....	480	2,758	865	456	221	387
Gross operating surplus .....	237	1,164	250	139	128	35
Income (loss) on ordinary operations .....	(393)	561	148	26	118	(95)
Income (loss) before taxes .....	(346)	575	186	36	125	(6)
Net income (loss) .....	89	254	94	12	76	(40)
<b>Balance sheet data:</b>						
Loans to customers .....	4,962	40,261	11,017	7,098	5,836	5,623
Securities portfolio .....	9,082	1,942	755	388	256	1,745
Equity investments .....	10,750	94	381	59	167	446
Direct funding from customers .....	14,837	27,267	17,431	4,982	3,894	4,646
Net interbank position .....	(1,559)	(10,081)	8,135	(1,958)	(1,617)	(2,667)
Shareholders' equity .....	6,902	5,265	1,522	867	750	541
Total assets .....	67,063	55,102	23,349	9,367	7,632	11,344
<b>Other operating data:</b>						
Number of employees .....	724	14,795	7,027	2,617	609	1,615
Number of branches (including foreign) .....	1	1,143	508	283	1	1

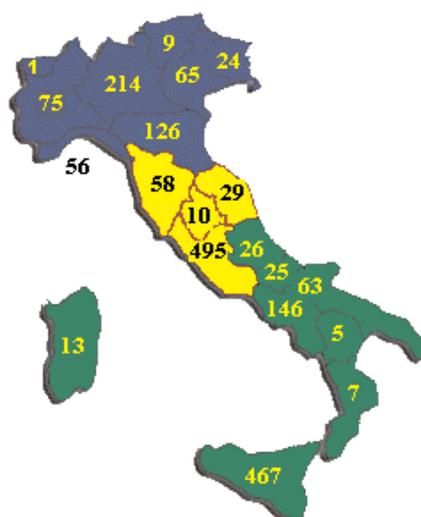
### Traditional Banking

The Capitalia Group carries out traditional banking activities through three wholly owned banks: Banca di Roma, Banco di Sicilia and Bipop Carire. These three banks have significant regional presences, with Banca di Roma concentrated in Central and Southern Italy, Banco di Sicilia in Southern Italy (particularly Sicily) and Bipop Carire in Northern Italy. As a result, the geographic distribution of the Group's traditional banking activities at year-end 2003 was as follows: approximately 43% of the Group's performing loans ("*in bonis*") were located in Northern Italy, 38% in Central Italy and 19% in Southern Italy (including Sicily and Sardinia) (based on data received from the Bank of Italy as "*Matrice di Vigilanza*").

At 31 December, 2003, the Group's traditional banking activities consisted of:

- 1,914 traditional branches distributed throughout Italy;
- total loans to banks and customers of €76.9 billion;
- total deposits from banks and customers of €62.7 billion;
- securities issued: €9.3 billion; and
- total assets in custody or under administration (excluding asset management) of €95.8 billion.

The map and table below illustrate the geographical distribution of the Group's traditional banking branches in Italy at 31 December, 2003:



	Banca di Roma		Banco di Sicilia		Bipop Carire		Total	
	Branches	%	Branches	%	Branches	%	Branches	%
Northern Italy .....	268	24	41	8	261	92	570	30
Central Italy.....	550	49	26	5	16	6	592	31
Southern Italy .....	305	27	441	87	6	2	752	39
<b>Total .....</b>	<b>1,123</b>	<b>100</b>	<b>508</b>	<b>100</b>	<b>283</b>	<b>100</b>	<b>1,914</b>	<b>100</b>

#### *Banca di Roma*

Banca di Roma had 1,123 branches in Italy, 20 foreign branches and seven representative offices at 31 December, 2003. Banca di Roma's total loans, deposits and securities issued at 31 December, 2003 were as follows:

- loans to banks and customers: €48.8 billion;
- deposits from banks and customers: €44.7 billion; and
- securities issued: €1.2 billion.

#### *Banco di Sicilia*

Banco di Sicilia had 508 branches in Italy at 31 December, 2003, of which 87% were located in Southern Italy. Banco di Sicilia's total loans, deposits and securities issued at 31 December, 2003 were as follows :

- loans to banks and customers: €19.9 billion;
- deposits from banks and customers: €10.0 billion; and
- securities issued: €8.1 billion.

#### *Bipop Carire*

Bipop Carire had 283 branches in Italy at 31 December, 2003, of which 92% were located in Northern Italy. Bipop Carire's total loans, deposits and securities issued at 31 December, 2003 were as follows :

- loans to banks and customers: €8.2 billion;

- deposits from banks and customers: €8.0 billion; and
- securities issued: €24 million.

### ***Merchant and Investment Banking***

MCC, based in Rome, carries out the Capitalia Group's merchant and investment banking activities. MCC's activities include institutional placements of securities, trading and capital market transactions, together with high quality corporate finance and mergers and acquisitions advisory services for large and medium-sized corporate clients. MCC's activities lead it to be active in the international financial markets. The Capitalia Group opened MCC's share capital to new partners in July 2002, sold further shares in the third quarter of 2003 and reacquired a 1.5% stake in MCC from Parmalat S.p.A. in January 2004. Following these transactions, the Issuer currently holds 75.4% of MCC's share capital, with the residual share capital held by industrial investors.

MCC's total loans, deposits and securities issued at 31 December, 2003 were as follows:

- loans to banks and customers: €6.8 billion;
- deposits from banks and customers: €3.5 billion; and
- securities issued: €3.0 billion.

### ***Consumer Banking***

The Capitalia Group carries out its consumer banking activities through its 44.7% interest in FinecoGroup, which has its corporate headquarters in Milan.

FinecoGroup specialises in financial services (banking on line, brokerage, mortgages, leasing and consumer banking) and wealth management (asset management and bancassurance). At 31 December, 2003, FinecoGroup employed 2,112 financial consultants (of which 1,901 in Italy and 211 abroad) and had approximately 270 financial advice agencies in Italy and 20 abroad (principally in Spain).

FinecoGroup's assets under management (individual and collective) amounted to €34 billion at 31 December, 2003. During 2003 Fineco Vita Compagnia di Assicurazione e Riassicurazione S.p.A., FinecoGroup's life insurance subsidiary, collected €2.3 billion in life insurance premiums.

At year-end 2003 FinecoGroup ranked fourth in Italy in terms of assets under management in the mutual fund sector. These assets are collected through Capitalia's traditional branch networks as well as Banca Fineco's FinecoCity brand of financial planners, one of the largest networks of financial planners in Italy (source: Assoreti – *Associazione Nazionale delle Società di Collocamento di Prodotti Finanziari e Servizi di Investimento*). Also at year-end 2003, FinecoGroup ranked fifth in Italy in terms of leasing assets (source: Assilea – *Associazione Italiana Leasing*).

FinecoGroup was incorporated during the formation of the Capitalia Group in 2002. Its business consists of the consumer banking activities of the former Bancaroma group (as described below) and those of the former Bipop Carire group.

The former Bancaroma group's consumer banking activities consisted principally of RomaGest S.p.A. SGR, Banca Manager S.p.A., Holding Banca della Rete S.p.A., RomaVita S.p.A. and Banca di Roma International S.A. The former Bipop Carire group was itself the result of the merger in 1999 of Banca Popolare di Brescia S.c.ar.l. and Cassa di Risparmio di Reggio Emilia S.p.A. Bipop Carire's consumer banking business included a broad range of value-added banking and investment services and products, such as mutual funds, life insurance, savings products, financial planning, asset allocation advice, on-line brokerage, private banking, consumer loans, leasing, factoring and mortgages. For further information regarding the formation of the Capitalia Group, please refer to the discussion under “– Formation of the Capitalia Group” below.

## **International**

### *Foreign Trade and Foreign Exchange*

The Capitalia Group provides its customers with a range of international services through domestic and international subsidiaries. These include import and export services and consulting on investment opportunities. The Issuer is fully licensed by the Bank of Italy for all activities in foreign exchange and international markets (art. 4 §3 Presidential Decree no. 148 of 31 March, 1988).

### *International Network*

The Issuer's subsidiaries Banca di Roma, FinecoGroup and MCC carry out international activities through an international network that includes branches in the following financial centres:

- Europe: Barcelona, Bucharest, Frankfurt, London, Madrid and Paris;
- United States: Chicago, New York and San Francisco; and
- Other: Beirut, Cayman Islands, Hong Kong, Istanbul, Shanghai, Singapore, Tripoli (Lebanon) and Tokyo.

The Group also has representative offices in Beijing, Brussels, Buenos Aires, Johannesburg, Mexico City, Moscow and Tunis. In addition, the Group has various subsidiaries and participations outside Italy, each of which is involved in banking and financial activities.

## **Funding**

The Capitalia Group's total funding at 31 December, 2003, including subordinated liabilities, amounted to €103.3 billion, compared with €109.3 billion at year-end 2002. The following table shows the Group's total funding in Euros and other currencies at 31 December, 2003 broken down into the Italian and foreign banking sectors and the financial sector:

	<b>As at 31 December, 2003</b>		
	<b>Euro</b>	<b>Other currencies</b>	<b>Total</b>
	<b>(€ millions)</b>		
Banking sector – Italy <sup>(1)</sup> .....	85,499	7,067	92,566
Banking sector – foreign <sup>(2)</sup> .....	4,610	4,593	9,203
Financial sector.....	1,487	1	1,488
<b>Total</b> .....	<b>91,596</b>	<b>11,661</b>	<b>103,257</b>

(1) Units of Italian resident banks operating in Italy.

(2) Non-Italian resident banks and foreign branches of Italian resident banks.

The Group provides a range of services to individual and corporate customers including current and savings accounts, demand and time deposits, the provision of short-, medium- and long-term loans and mortgage loans in both Euros and foreign currencies, consultancy services in corporate and project finance, the handling of documentary credits and collections, safe deposits and cheque guarantee facilities.

The table below shows a breakdown of the Capitalia Group's deposits at 31 December, 2003 and 2002:

	As at 31 December,	
	2003	2002 <sup>(1)</sup>
	(€ millions)	
Deposits due to customers <sup>(2)</sup> .....	46,208	46,175
Deposits due to customers evidenced by securities .....	26,705	28,846
<i>Sub total</i> .....	<i>72,913</i>	<i>75,021</i>
Deposits due to banks.....	27,017	30,663
Subordinated liabilities.....	3,327	3,592
<b>Total</b> .....	<b>103,257</b>	<b>109,276</b>

(1) Information for 2002 has been prepared on restated basis. See "The Issuer – Key Accounting Information".

(2) Including third-party funds under administration.

Funding from banks at year-end 2003 amounted to €27,017 million, compared with €30,663 million at year-end 2002. The decrease in funding from banks was in line with the Group's strategy to reduce its dependence on interbank funding, and was accompanied by a similar decrease in the Group's securities portfolio.

Funding from customers amounted to €72,913 million (equal to 70.6% of total funding) at 31 December, 2003, down 2.8% compared with €75,021 million at 31 December, 2002.

The performance and composition of the Group's funding in 2003 was primarily a result of the performance of current accounts, deposits and repurchase agreements. Management believes that the performance of these formats was due in part to the enduring uncertainty in the financial markets, prompting savers to prefer short-term forms of investment.

At year-end 2003, the Capitalia Group's share of total funding in the Italian market was approximately 6.8% (based on data received from Bank of Italy as "*Matrice di Vigilanza*").

In terms of bond funding, during 2003 the Capitalia Group issued a total of approximately €6.2 billion in medium- and long-term securities, of which approximately €5 billion was issued on the Italian domestic market.

The Capitalia Group's funding in the domestic Italian market in 2003 mainly took the form of structured bonds. The Capitalia Group offers a range of bond products, including instruments indexed to equity markets, to real and nominal interest rates and to investment funds, providing customers with a choice of benchmark indexes when they purchase guaranteed capital products. The Group did not issue bonds on the international markets in 2002.

On 9 May, 2003 the Issuer established a Euro Medium Term Note programme, which provides for the issue of up to €12 billion of notes. The goal of the programme is to expand the Group's funding on foreign markets, with a preference for institutional channels. In the first half of 2003, the Issuer issued notes with a nominal value of €500 million and a maturity of three years. In the second half of the year, it made its first issue of five-year notes for the same amount. Overall funding from foreign markets consisted of more than 18% of the Capitalia Group's total funding for 2003.

In May and June 2003, the Issuer placed Tier III subordinated bonds with retail investors using all of the Group's sales networks.

## Wealth Management

In 2003, the Group focused on its managed savings, bancassurance and asset management activities through product innovation. The aim of this innovation process is to facilitate a gradual shift of customers'

invested assets away from liquid instruments towards products with higher added value both for the Group and its customers. This process has been supported by the Group's marketing efforts, which focus on rationalising FinecoGroup's range of funds and redefining Capitalia Group products in order to respond more accurately to customer demand in each of the Group's customer channels and banking formats. For example, the Group has tailored its product offering to meet the high demand from retail customers for guaranteed capital products that can generate healthy returns when markets perform well over the medium to long term.

New products accounted for around 55% of total funding in 2003. The following were particularly significant:

- in the asset management field, the "Vitamin" and "BdS Arcobaleno" (BdS Rainbow) funds of funds, and the "Fineco Obiettivo" (Fineco Objective) funds;
- in the insurance market, unit-linked guaranteed capital funds; and
- in structured products, the Tier III bond and the Capital Bond Fund Linked.

In the life insurance sector, several new products were rolled out, including index-linked policies based on interest rates, equity indexes or inflation. In addition, the Group introduced new unit periodic-premium policies, indexed fund-linked products and traditional life insurance products. For its assets under administration, the Group began offering customers new structured products based on interest rates and inflation as well as fund-linked instruments.

Total funding from wealth management products in 2003 (net assets under management, life insurance premium income and structured bonds) amounted to approximately €4,800 million, a significant increase compared with approximately €1,500 million in 2002.

According to *Assogestioni Associazione del Risparmio Gestito*, as at 31 December, 2003 the Capitalia Group was the fourth largest asset manager in Italy, with assets under management of €31,540 million as at 31 December, 2003, representing an Italian market share of 6.1%. This total includes funds that incorporate monobrand fund portfolio products (GPFs), but does not include securities portfolio products (GPMs), multibrand GPFs or real estate investment funds.

Including GPMs, multibrand GPFs and real estate investment funds, total net assets under management at year-end 2003 amounted to €39,371 million, net of the liquid components of fund portfolios and securities portfolios and net of fund acquisitions among companies in the Capitalia Group. This compares with a total of €40,269 million at year-end 2002, although the 2002 figure included €1,192 million in funds from the former Banca Nazionale dell'Agricoltura S.p.A., which was sold on 1 March, 2003. After accounting for this disposal, the 2003 total represents an increase of 0.8% compared with year-end 2002.

Bancassurance premiums in 2003 amounted to €2,280 million compared with €2,452 million in 2002.

## **Lending**

The Group's total lending amounted to €92,348 million at year-end 2003, compared with €95,020 million (on a restated basis as explained in "The Issuer – Key Accounting Information") at year-end 2002. Lending to banks amounted to €17,120 million at year-end 2003, compared with €18,850 million at year-end 2002. The following table shows the Group's total lending in Euros and other currencies at 31 December, 2003 broken down into the Italian and foreign banking sectors and the financial sector:

	As at 31 December 2003		
	Euro	Other	Total
		currencies	
(€ millions)			
Banking sector – Italy <sup>(1)</sup> .....	75,523	2,513	78,036
Banking sector – foreign <sup>(2)</sup> .....	2,766	3,430	6,196
Financial sector.....	8,021	95	8,116
<b>Total</b> .....	<b>86,310</b>	<b>6,038</b>	<b>92,348</b>

(1) Units of Italian resident banks operating in Italy.

(2) Non-Italian resident banks and foreign branches of Italian resident banks.

### Loan Portfolio

The following table shows a breakdown of the Group's loan portfolio at 31 December, 2003 and 2002:

	As at 31 December,	
	2003	2002 <sup>(1)</sup>
	(€ millions)	
Loans to banks .....	17,120	18,850
Loans to customers.....	75,227	76,170
<b>Total</b> .....	<b>92,348</b>	<b>95,020</b>

(1) Based on restated data (see "The Issuer – Key Accounting Information").

Loans to customers amounted to €75,227 million at year-end 2003, a decrease of 1.2% compared with €76,170 million at year-end 2002. This decrease was voluntary and reflects the Group's attention to creditworthiness. As part of the Group's ongoing development of procedures to manage risk in an integrated manner at group level, in 2003 the Group completed its rating models for middle-market and small business customers and introduced these models on a trial basis in the Banca di Roma and Banco di Sicilia networks. By introducing the models in these segments, the Group is now able to measure and take action relating to approximately 65% of expected losses in the loan portfolio.

The Group's foreign branch network showed a decrease in lending during 2003, offset by a marginal rise in the domestic market despite the decline in medium and long-term lending. The shift in the composition of lending towards Northern Italy continued.

The following table shows the breakdown of the Capitalia Group's customer loans portfolio by sector at 31 December, 2003 and 2002.

	As at 31 December,			
	2003		2002 <sup>(1)</sup>	
	(€ millions)	(%)	(€ millions)	(%)
Government sectors .....	2,217	3.0	2,676	3.3
Other governmental agencies .....	4,489	6.0	8,360	10.4
Non-financial institutions .....	43,609	58.0	44,045	55.0
Financial institutions .....	8,663	11.5	7,899	9.9
Family businesses .....	3,302	4.4	3,213	4.0
Other customers .....	12,947	17.2	13,901	17.4
<b>Total</b> .....	<b>75,227</b>	<b>100.00</b>	<b>80,094</b>	<b>100.00</b>

(1) Data taken from the 2002 Annual Report; this data is not restated data and is not, therefore, directly comparable to the data for 2003, due to changes in the area of consolidation. See "The Issuer - Key Accounting Information".

With respect to the concentration of the Capitalia Group's loan portfolio at 31 December, 2003, the largest 20 Italian credit exposures on a risk-weighted basis amounted to approximately €13.0 billion. Risk-weighted exposure in this context refers to the total of all risk exposures of group companies on a weighted basis, including derivatives, participations, securities held for investment and trading.

The Bank of Italy has passed regulations that impose certain limits on the credit facilities that a banking group may make available to any one customer or group of customers. The Capitalia Group has not granted facilities to any single customer in excess of these limits. The Capitalia Group's policy is to maintain a spectrum of exposure by industry and by country. The Capitalia Group also maintains country exposure limits, which are reviewed regularly. The Group monitors its country exposure continuously and evaluates customers by reference to their particular circumstances.

### *Residual Maturity of Assets and Liabilities*

The following table shows the breakdown of the Capitalia Group's assets and liabilities by residual maturity at 31 December, 2003:

As at 31 December, 2003 (€ millions)									
Determined maturity	On demand	Up to 3 months	3-12 months	1-5 years		Over 5 Years		Undetermined Maturity	Total
				Fixed Rate	Floating Rate	Fixed Rate	Floating Rate		
<b>Assets</b> .....	23,223	54,738	38,978	50,602	12,474	25,416	11,787	8,244	225,462
Treasury bills eligible for refinancing .....	100	144	52	484	181	388	545	–	1,894
Loans to banks.....	2,505	9,137	1,155	154	762	1,396	1,389	622	17,120
Loans to customers ....	15,418	16,162	9,364	5,780	8,838	4,791	7,256	7,619	75,228
Bond and other debt securities .....	110	261	1,088	2,226	1,942	2,183	2,200	–	10,010
Off-balance sheet transactions .....	5,090	29,034	27,319	41,958	751	16,658	397	3	121,210
<b>Liabilities</b> .....	46,500	55,766	32,725	50,176	11,253	20,499	6,998	418	224,335
Due to banks .....	1,301	17,503	1,637	2,405	770	135	3,267	–	27,018
Due to customers.....	39,572	5,092	209	26	499	12	250	415	46,075
Securities issued .....	1,110	2,113	3,256	6,766	9,404	1,630	2,427	–	26,706
Bonds .....	363	1,333	2,574	5,853	9,399	1,630	2,427	–	23,579
Certificates.....	119	779	682	913	5	–	–	–	2,498
Other securities of deposit .....	628	1	–	–	–	–	–	–	629
Subordinated debts ....	–	–	103	492	103	1,784	844	–	3,326
Off-balance sheet transactions .....	4,517	31,058	27,520	40,487	477	16,938	210	3	121,210

Italian banking regulations require that all banks maintain reserve deposits with the Bank of Italy. According to the rules of the Bank of Italy and Rule No. 2818/98 dated 1 December, 1998 of the European Central Bank (the "ECB"), each Italian bank must deposit in a reserve account with the Bank of Italy an amount equal to (i) 2% of the aggregate of deposits and bonds, certificates of deposit and other similar instruments, calculated at the end of each month, issued by such bank having a maturity no longer than two years (excluding liabilities versus banks obliged to make deposit in the reserve account according to the ECB Rules and versus ECB and the Central Banks of the countries which are EMU Members), less (ii) a fixed amount of €100,000. Reserves held by the Bank of Italy bear interest at an annual rate equal to the average of the refinancing rates applied by the European Central Bank System to principal refinancing transactions. Under the aegis of the Italian Banking Association, Italian banks have organised a deposit insurance fund of which the Capitalia Group is a member, to cover ordinary customers' deposits raised by domestic branches and also by foreign branches operating in countries where similar funds are not established or where the Italian deposit insurance fund is compliant and recognised according to rules provided by EC Directive 2000/12/EC.

## Loan Loss Experience

The following table shows the Capitalia Group's loan loss experience at 31 December, 2003 and 2002:

	As at 31 December,	
	2003	2002 <sup>(1)</sup>
	(€ millions, except percentages)	
Total loans to customers .....	75,227	80,094
Gross bad debts ( <i>sofferenze lorde</i> ) .....	10,156	9,734
Total write-downs on bad debts .....	5,613	5,158
Net bad debts ( <i>sofferenze nette</i> ) .....	4,543	4,577
Net bad debts as a percentage of total loans to customers .....	6.0%	5.7%
Bad debts coverage ratio .....	55.3%	53.0%
Net impaired loans (excluding bad debts) <sup>(2)</sup> .....	3,438	3,274

(1) Data taken from the 2002 Annual Report; this data is not restated data and is not, therefore, directly comparable to the data for 2003, due to changes in the area of consolidation. See "The Issuer – Key Accounting Information".

(2) Impaired loans consist of (i) bad debts, (ii) substandard loans ("*incagli*"), (iii) loans being restructured, (iv) restructured loans and (v) non-guaranteed loans to countries at risk.

Italian laws, in accordance with EU directives, provide that the amount of loans (including bad debts, or "*sofferenze*") must be shown in the balance sheet at their expected recovery value, while value adjustments to loans are shown as a specific item in the profit and loss account. Under Italian tax law, net value adjustments for possible losses in loans to customers and provisions for general credit risk are immediately deductible from taxable income for up to 0.6% of the amount of loans to customers at year-end, until the cumulative allowance for general credit risk totals a maximum of 5% of the amount of such loans. Following changes in Italian tax law in 2000, net provisions over 0.6% may be deducted from taxable income on a straight-line basis over nine years.

In addition, the Capitalia Group makes specific provisions against loans that it believes are unlikely to be repaid. When a loan becomes definitely unrecoverable, the related loan loss reserve is released and credited to income for that year, while the full amount of the loss is treated as an expense for that year. Certain exceptions may occur for loans outstanding in foreign branches where the local "charge off" method must be applied.

The Issuer constantly reviews the accounts of its customers and bad debts are evaluated on an increasingly cautious basis. These accounts are written down against provisions for expected losses and appear in the balance sheet as a net amount.

Net bad debts at 31 December, 2003 amounted to €4,543 million, down from €4,556 million at 31 December, 2002. Of the year-end 2003 total, 24.5% (equivalent to €1,115 million) related to real estate lending backed by collateral. Net bad debts at the same date were equal to 6% of total lending. However, the performance of bad debts in 2003 was significantly affected by the loans made to the Parmalat group (in this respect, please refer to "The Issuer – 2003 results – Overview").

Substandard loans (or "*incagli*") at 31 December, 2003 amounted to €1,904 million, a considerable decrease from the €2,045 million registered at year-end 2002. Substandard loans relating to real estate lending backed by collateral constituted €590 million of the year-end 2003 total.

During 2003 the Group made write-downs of €15 million and write-backs of €23 million on lending to countries in difficulty (including both ordinary customers and banks). The write-down percentages were at least equal to those agreed by the Italian Banking Association.

Regarding exposure to the Cirio group, which is subject to insolvency proceedings, the Capitalia Group has made provisions in its financial statements that it currently deems adequate to cover potential losses.

The value of the adjustments on credits was calculated on the basis of an analysis of the loan portfolio and takes account both of what management believes to be the current situation of slow economic growth and of the management approach that Capitalia and Banca di Roma in particular are applying with a view to speeding up the recovery of bad debts, including through out-of-court arrangements. Projected losses are therefore supported by objective facts consistent with the current economic environment.

Total impaired loans (excluding bad loans) at 31 December, 2003 amounted to €3,438 million (for a comparison with 2002 data, please refer to the table under the heading “Loan Loss Experience”). These impaired loans consist of (i) substandard loans (or “*incagli*”), (ii) loans being restructured, (iii) restructured loans and (iv) non-guaranteed loans to countries at risk. Substandard loans are loans to customers that are experiencing temporary financial difficulties, where these difficulties are expected to be resolved within a limited period, irrespective of any guarantees.

The following table shows the Group’s coverage ratios on doubtful loans by sector at 31 December, 2003 and 2002. The coverage ratio is defined as the ratio of total specific and general write-downs undertaken (including default interest deemed unrecoverable) to gross exposures including written-down default interest.

	Ordinary Lending		Real estate Lending		Total	
	As at 31 December,		As at 31 December,		As at 31 December,	
	2003	2002 <sup>(1)</sup>	2003	2002 <sup>(1)</sup>	2003	2002 <sup>(1)</sup>
Bad debts ( <i>sofferenze</i> ) .....	60.0%	58.0%	29.5%	32.2%	55.3%	53.0%
Substandard loans ( <i>incagli</i> )....	23.2%	29.7%	10.1%	10.1%	19.6%	24.3%

(1) Data taken from the 2002 Annual Report; this data is not restated data and is not, therefore, directly comparable to the data for 2003, due to changes in the area of consolidation. See “The Issuer – Key Accounting Information”.

## Finance Activities

One of the central projects that was undertaken with the formation of the Capitalia Group was the creation of an integrated model of treasury management and payment systems. The model was further developed in 2003 through initiatives to put Capitalia at the service of the Group’s banks, generating important benefits in terms of lower costs and greater simplicity. Specifically, payment systems, reciprocal accounts, the settlement account held with the Bank of Italy and the management of the compulsory reserves were all centralised.

In line with its governance model for finance activities, responsibility for investment on own account, asset liability management, the structuring of innovative financial products, the coordination of the Group’s products and services, the design of operations to improve capital structure and the management of rating models were all placed under the centralised control of Capitalia during 2002 and 2003.

In accordance with the Business Plan, the Group made further progress during 2003 in building its new technological and organisational platform to handle the entire range of its finance-related activities. Capitalia worked towards the reduction of the credit risk associated with derivatives by negotiating bilateral netting agreements and collateral agreements with banks and international investment companies.

During 2003, repurchase transactions with the market and the network of Capitalia Group banks increased progressively, both in terms of volumes and the maturity of operations. In March 2003, the Group adopted new limits for proprietary securities portfolio, setting €18 billion as the target total value and 49% as the maximum percentage for the investment component.

At 31 December, 2003 the Group’s securities portfolio amounted to €13,306 million, compared with €16,510 million a year earlier; the investment portfolio amounted to €5,684 million compared with €7,141 million a year earlier; and the trading portfolio amounted to €7,622 million compared with €9,369 million a year earlier.

The trading portfolio was managed with a view to lowering risk and generating returns, regardless of market conditions. The risk and return targets were also achieved through the use of equity, bonds and, especially in the last months of the year, credit derivatives, primarily for hedging purposes. Management believes that operational processes were improved by the introduction of a new front/middle office technological platform in October 2003, which made it easier to model market risk and carry out integrated portfolio management.

### Principal Subsidiaries and Other Shareholdings

The table below shows the name, location of head office, percentage shareholding and principal activity of the Group's principal subsidiaries as at 31 December, 2003.

	<b>Head Office</b>	<b>Percentage Ownership</b>	<b>Principal Activity</b>
Banca di Roma S.p.A.....	Rome	100%	Banking
Banco di Sicilia S.p.A. ....	Palermo	100%	Banking
M.C.C. S.p.A. ....	Rome	73.90%	Banking
Bipop Carire S.p.A.....	Brescia	100%	Banking
FinecoGroup S.p.A.....	Milan	44.72%	Banking
Banca di Roma International S.A. ....	Luxembourg	100.0%	Banking
Bipop Espana Holding S.A. ....	Madrid	100.0%	Financial holding company
Fineco Asset Management S.p.A. S.G.R. ....	Rome	100.0%	Investment funds
Fin-Eco Banca ICQ S.p.A. ....	Milan	98.4%	Banking
Fin-Eco Factoring S.p.A. ....	Brescia	90.0%	Factoring
Fineco Gestioni S.p.A. S.G.R. ....	Milan	79.3%	Investment funds
Fin-Eco Investimenti Alternativi S.G.R S.p.A (ex Fin-Eco Investimenti S.G.R. S.p.A.) .....	Milan	100.0%	Investment funds
Fin-Eco Leasing S.p.A. ....	Brescia	99.9%	Leasing
Fineco Vita Compagnia di Assicurazione e Riassicurazioni S.p.A. ....	Milan	96.3%	Insurance
Fondi Immobiliari Italiani Società di Gestione del Risparmio S.p.A. ....	Rome	52.6%	Investment funds
Inversiones y Estudios Financieros "Safei Holding" S.A.....	Madrid	80.0%	Financial holding company
IRFIS – Mediocredito della Sicilia S.p.A. ....	Palermo	76.3%	Medium term lending
Leasingroma S.p.A.....	Rome	100.0%	Leasing/factoring
M.C.C. SOFIPA S.G.R. S.p.A. ....	Rome	100.0%	Investment funds
MC Gestioni S.G.R. S.p.A. ....	Milan	100.0%	Investment funds
Société de Gestion du Rominvest International Fund S.A. ....	Luxembourg	100.0%	Investment funds

The table below shows the name, location of head office, percentage shareholding and principal activity of the Group's other shareholdings as at 31 December, 2003.

	<b>Head Office</b>	<b>Percentage Ownership</b>	<b>Principal Activity</b>
Assicurazioni Generali S.p.A. ....	Trieste	3.1%	Insurance
Banca d'Italia .....	Rome	11.2%	Central Bank of Italy
Borsa Italiana S.p.A. ....	Milan	5.0%	Organisation and management of Italian Stock Exchange operations
Consortium S.r.l. ....	Milan	25.7%	Financial holding company
Mediobanca – Banca di Credito Finanziario S.p.A. ..	Milan	8.6%	Merchant banking
Ubae – Arab Italian Bank S.p.A. ....	Rome	12.0%	Banking

## **Formation of the Capitalia Group**

The Capitalia Group was formed in July 2002 by the merger of the former Bancaroma and Bipop Carire groups. The following discussion summarises the origins of the Bancaroma group and the subsequent merger with the Bipop Carire group.

### ***Origins of the Bancaroma Group***

The Bancaroma group had its foundations in three former banks active in central Italy: Banco di Santo Spirito S.p.A. (“**BSS**”), Cassa di Risparmio di Roma (“**CRR**”) and Banco di Roma S.p.A. (“**Banco di Roma**”). In 1989, with a view to rationalising its banking business, CRR acquired a 51% interest in BSS from Istituto per la Ricostruzione Industriale (“**IRI**”). In 1991, CRR transferred all of its banking activities to BSS. Following this transfer, CRR became a non-commercial public entity under the name of Ente Cassa di Risparmio di Roma, which controlled the Fondazione Cassa di Risparmio di Roma.

On 21 August, 1990 the Italian government introduced legislation known as the “**Amato Law**”. The aim of the Amato Law was to encourage the reorganisation of the fragmented Italian banking system by providing substantial incentives (fiscal and otherwise) and a legal framework for mergers in the banking sector and for the conversion of “public law” banks into private law limited companies.

As a result of the Amato Law, in August 1992 BSS and Banco di Roma merged to create the former Banca di Roma S.p.A. (“**Former Banca di Roma**”). From that time until the public offering in November 1997, the shareholders of Former Banca di Roma were as follows:

- Fondazione Cassa di Risparmio di Roma: 64.5%;
- IRI: 13.9%;
- Ente Cassa di Risparmio di Roma: 10.3%; and
- Publicly traded: 11.2%.

During 1995, Former Banca di Roma purchased a 51.9% interest in Banca Mediterranea, a regional bank whose operations were principally located in parts of Southern Italy such as Puglia and Basilicata.

In November 1997, Former Banca di Roma was floated in a public offering on the Italian stock exchange. In the public offering, IRI sold its entire shareholding and Ente Cassa di Risparmio di Roma significantly reduced its shareholding.

In 1999, Former Banca di Roma acquired the entire share capital of Mediocredito Centrale S.p.A. from the Italian Ministry of Treasury. Mediocredito Centrale S.p.A. was established to provide medium- and long-term financing of plant and machinery to small and medium-sized industrial businesses. In addition, Mediocredito Centrale S.p.A. also held 62.8% of the shares of the former Banco di Sicilia S.p.A. On 27 May, 2002, Mediocredito Centrale S.p.A. changed its name to MCC S.p.A.

Also in 1999, the Dutch banking group ABN AMRO purchased approximately 8.75% of the shares of Former Banca di Roma.

### ***The merger with the Bipop Carire Group***

In January 2002, Former Banca di Roma adopted a new business model aimed at enhancing the Bancaroma group’s value, rationalising its activities and increasing its standing as a leading Italian banking group. As part of this business model, the Bancaroma group began merger discussions with the Bipop Carire group. In March 2002, the Boards of Directors of the two groups approved an integration plan, which was submitted to their respective shareholders for approval. Following approval by the shareholders of both groups in May 2002, the integration plan became effective on 1 July, 2002.

The principal steps of the merger were as follows:

- *Parent Company*: Former Banca di Roma became the holding company of the Capitalia Group and changed its name to Capitalia S.p.A.
- *Banca di Roma*: The traditional banking business of Former Banca di Roma was de-merged from Capitalia S.p.A. and transferred to a new company which took the name of Banca di Roma S.p.A.
- *Banco di Sicilia*: The former Banco di Sicilia S.p.A. was merged into Capitalia S.p.A. However, the traditional banking business of Banco di Sicilia was de-merged from Capitalia S.p.A. and transferred to a new company which took the name of Banco di Sicilia S.p.A.
- *Bipop Carire*: Former Banca di Roma's consumer banking business was transferred to the existing Bipop Carire. Subsequently, Bipop Carire's traditional banking business was de-merged and transferred to a new company which took the name of Bipop Carire S.p.A.
- *FinecoGroup*: The former Bipop Carire, which now consisted of the consumer banking businesses of Former Banca di Roma and Bipop Carire, changed its name to Fineco S.p.A. (now known as FinecoGroup S.p.A.).

As a result of the merger, the shareholders of the former Bipop Carire on 1 July, 2002 held 30.85% of the ordinary shares of Capitalia S.p.A., while the Capitalia Group held a 44% holding in FinecoGroup.

### **Description of Capital Stock and By-Laws**

Capitalia is a joint stock company limited by shares (*società per azioni*). Its registered office is located in Rome, Italy. The by-laws of Capitalia provide that the duration of the company shall be until 31 December, 2100, which may be extended by a resolution of the shareholders passed in an extraordinary meeting. Capitalia is registered at the Company Registry (*registro delle imprese*) of Rome under number 00644990582 and registered with the Banks Register held by the Bank of Italy under number 5525. On 30 April, 2004, Capitalia's shareholders' meeting approved amendments to the by-laws in accordance with the requirements of the Italian corporate law reform introduced by Legislative Decree No 6 of 17 January, 2003, as amended.

Capitalia's corporate objective is to raise funds and grant credit in its various forms. Capitalia may, in compliance with existing law, carry out all permitted banking and financial operations and services, as well as any other operation instrumental to or otherwise connected with the attainment of its corporate objective. Capitalia may issue bonds in accordance with existing law and regulations, and may also issue bonds convertible into either its own shares or exchangeable into shares of another company or subscription warrants, again in accordance with existing law and regulations.

### **Share Capital**

As at 5 May, 2004, Capitalia's authorised and issued share capital was equal to €2,207,001,000 divided into 2,207,001,000 ordinary shares with a nominal value of €1.00 each. Each share of Capitalia carries the right to one vote. For a summary of principal shareholders and the shareholders' agreement, please refer to the discussions under "—Principal Shareholders" and "—Shareholders' Agreement".

On 16 May, 2002, the shareholders' meeting of Capitalia authorised the Board of Directors to increase the company's share capital by up to €20,000,000 by issuing 20,000,000 non transferable warrants to be distributed free of charge to the employees of the Group. The capital increase must be completed by 30 June, 2008, when the share capital will be increased in accordance with subscriptions received.

On 13 May, 2002 Capitalia (then known as Banca di Roma) entered into a framework agreement with a group of banks that were creditors of Garfin S.p.A., a financial company which owned 200,572,015 shares (equal to a stake of 10.22%) of the former Bipop Carire S.p.A. These shares were originally pledged to the creditor banks as collateral for loans provided by them. As part of the financial structure of this framework

agreement, which was contingent upon the approval of the merger of the Banca di Roma and Bipop Carire, Capitalia issued two series of exchangeable and convertible notes for a total amount of €578,000,000 (respectively, €266,345,000 and €311,655,000) both due 13 June, 2007 exchangeable into a total of 69,197,345 ordinary shares of Capitalia S.p.A. and 18,051,481 ordinary shares of FinecoGroup (after accounting for the reverse share split executed on 29 March, 2004).

### ***Shareholders' Meetings***

The ordinary general meeting of shareholders shall be called at least once a year, not later than 120 days after the close of the preceding financial year, in order to consider the matters for which it is responsible. Extraordinary meetings of shareholders shall be called to deal with the matters for which they are responsible under law.

Ordinary shareholders' meetings shall be called when, in the manner and in such cases as provided for by current laws and regulations. The right of shareholders to attend shareholders' meetings are governed by applicable legal provisions. The validity of ordinary and extraordinary meetings of shareholders (whether on the first, second or third calling), and the validity of the resolutions passed at such meetings, are governed by applicable legal provisions. For the appointment of directors a majority vote shall suffice. In the event of a split vote, the oldest candidate shall be elected. Ordinary meetings of shareholders shall be chaired by the chairman of the board of directors or, in his absence or if he is unable to act, by the person designated to act in his stead; in his absence, the meeting shall elect its chairman.

The purchase or subscription of shareholdings above a certain level is subject to the provisions of Title II, Chapter III of the Italian Legislative Decree No. 385 of 1 September, 1993 governing holdings of capital in banks, and Title III, Chapter II of the Italian Legislative Decree No. 58 of 24 February, 1998.

### ***Distribution of Profits***

Capitalia's by-laws provide that net profits shall be allocated as follows:

1. 5% to the legal reserve;
2. not less than 1% and not more than 3%, at the discretion of the Board of Directors, for donations, assistance, charitable purposes and cultural and scientific initiatives;
3. to the shareholders, in the amount approved by the Ordinary Shareholders' Meeting upon proposal of the Board of Directors; and
4. the residual balance, if any, shall, upon a proposal of the Board of Directors, be allocated to the creation or increase of other reserves, or appropriated for other purposes approved by the ordinary meeting of shareholders.

## Principal Shareholders

As of 26 April, 2004, the principal shareholders of the Issuer were as follows:

Shareholder	No. of Shares	% of Total
<b>ABN AMRO Group:</b>		
ABN AMRO Bank (Luxembourg) S.A. <sup>(1)</sup> .....	117,133,575	5.3
ABN AMRO Bank N.V. <sup>(1)</sup> .....	53,365,351	2.4
Algemene Bank Nederland B.V. <sup>(1)</sup> .....	28,114,964	1.3
<i>Sub-total ABN AMRO Group</i> .....	<i>198,613,890</i>	<i>9.0</i>
Fondazione Cassa di Risparmio di Roma.....	158,580,229	7.2
Region of Sicily .....	73,746,225	3.3
Fondazione Banco di Sicilia .....	70,875,000	3.2
Fondazione Manodori .....	70,017,501	3.2
Finnat S.p.A. <sup>(2)</sup> .....	69,197,345	3.1
Stichting Pensioenfonds ABP .....	67,375,678	3.1
Libyan Arab Foreign Bank .....	66,873,409	3.0
<b>Premafin Finanziaria Group:</b>		
Fondiaria – SAI S.p.A. <sup>(3)</sup> .....	49,615,187	2.2
Milano Assicurazioni S.p.A. <sup>(3)</sup> .....	16,810,125	0.8
<i>Sub-total Premafin Finanziaria Group</i> .....	<i>66,425,312</i>	<i>3.0</i>
<b>Fidelity Group:</b>		
Fidelity International Limited <sup>(4)</sup> .....	29,622,618	1.3
FMR Corp. <sup>(4)</sup> .....	14,832,627	0.7
<i>Sub-total Fidelity Group</i> .....	<i>44,455,245</i>	<i>2.0</i>
Merrill Lynch Investment Managers Limited.....	44,286,440	2.0
Finanziaria Tosinvest S.p.A. <sup>(5)</sup> .....	44,180,000	2.0
<b>TOTAL</b> .....	<b>974,626,274</b>	<b>44.16</b>

(1) Subsidiary of ABN AMRO Holding N.V.

(2) As fiduciary for Keluma s.r.l.

(3) Subsidiary of Premafin Finanziaria S.p.A. Holding di Partecipazioni.

(4) Subsidiary of the Fidelity Group, which holds contractual voting rights.

(5) Subsidiary of S.p.A. Di Antonio Angelucci S.A.P.A. S.C.A.

## Shareholders' Agreement

On 22 October, 2003 a number of Capitalia's shareholders entered a new shareholders' agreement described below. The parties to the shareholders' agreement are as follows:

Shareholder	No. of Shares Represented	% of Total Share Capital
<b>ABN AMRO Group:</b>		
ABN AMRO Bank (Luxembourg) S.A. <sup>(1)</sup> .....	117,133,575	5.3
ABN AMRO Bank N.V. <sup>(1)</sup> .....	53,365,351	2.4
Algemene Bank Nederland B.V. <sup>(1)</sup> .....	28,114,964	1.3
<i>Sub-total ABN AMRO Group</i> .....	<i>198,613,890</i>	<i>9.0</i>
Region of Sicily .....	73,746,225	3.3
Fondazione Manodori .....	70,017,501	3.2
<b>Premafin Finanziaria Group:</b>		
Fondiarìa – SAI S.p.A. <sup>(2)</sup> .....	49,615,187	2.2
Milano Assicurazioni S.p.A. <sup>(2)</sup> .....	16,810,125	0.8
<i>Sub-total Premafin Finanziaria Group</i> .....	<i>66,425,312</i>	<i>3.0</i>
Finanziaria Tosinvest S.p.A. <sup>(3)</sup> .....	44,180,000	2.0
Toro Assicurazioni S.p.A. ....	44,136,420	2.0
Pirelli Finance (Luxembourg) S.A. ....	41,930,000	1.9
<b>Lamaro Group:</b>		
Cinecittà Centro Commerciale S.p.A. ....	34,805,000	1.6
Kabes S.r.l. ....	4,000,000	0.2
<i>Sub-total Lamaro Group</i> .....	<i>38,805,000</i>	<i>1.8</i>
<b>Colaninno Group:</b>		
Omniaholding S.p.A. ....	11,186,739	0.5
Immsi S.p.A. ....	11,138,789	0.5
<i>Sub-total Colaninno Group</i> .....	<i>22,325,528</i>	<i>1.0</i>
Colacem S.p.A. ....	22,103,814	1.0
Alfio Marchini .....	16,551,158	0.8
Elle Fin. S.A. ....	9,930,700	0.5
Sirefid S.p.A. ....	4,000,000	0.2
<b>TOTAL</b> .....	<b>652,765,548</b>	<b>29.6</b>

(1) Subsidiary of ABN AMRO Holding N.V.

(2) Subsidiary of Premafin Finanziaria S.p.A. Holding di Partecipazioni.

(3) Subsidiary of S.p.A. Di Antonio Angelucci S.A.P.A. S.C.A.

Upon being informed of the shareholders' agreement by the chairman of the board at the board meeting held on 27 October, 2003, the directors in office at the time submitted their resignations. The shareholders' meeting held on 4 December, 2003 approved the list of 19 new directors proposed by the parties to the shareholders' agreement.

The shareholders' agreement has a duration of three years and represents 29.6% of the share capital. In view of the terms and rules of governance of the shareholders' agreement, as well as the variety of industrial and financial experience it represents, Capitalia believes that the shareholders' agreement appears well suited to stabilising the Group's ownership, guaranteeing the independence of management and strengthening the Group's long-term strategies, thereby supporting the implementation of the 2003-2005 Business Plan.

The principal terms of the shareholders' agreement include:

- *limitations on shareholdings*: the parties have undertaken to not increase their shareholdings or voting rights in Capitalia, either directly or indirectly; and

- *restrictions on disposals*: the parties have undertaken not to transfer any of the shares subject to the shareholders' agreement, other than to other parties to the shareholders' agreement.

The shareholders' agreement also creates a "members' meeting" for parties to the agreement, and a chairman. The members' meeting is convened in the following circumstances:

- prior to each meeting of shareholders of Capitalia called to appoint directors or statutory auditors; and
- prior to each meeting of Capitalia's Board of Directors called to vote on capital increases, mergers or de-mergers outside the Group, acquisitions or disposals of companies or equity investments (for an amount in excess of €350 million) or the strategy to adopt in response to takeover bids.

The members' meeting approves resolutions by simple majority vote except for the following items, which require a majority of 65%: capital increases, mergers or de-mergers outside the Group, acquisitions or disposals of companies or equity investments (for an amount in excess of €350 million) or the strategy to adopt in response to takeover bids.

### **Corporate governance**

Upon the foundation of the Group in July 2002, Capitalia began development of a new organisational structure that would integrate Group control functions, information systems, operational instruments and commercial strategies. This structure, which has now been implemented, includes a new corporate governance system based on the following principles:

- a clear definition of the roles and responsibilities of Capitalia as parent company and the other Group companies; and
- an emphasis on collegial decision-making processes through the creation of a set of operating committees in the following areas: management, lending, risk and asset/liability management ("ALM"), products and finance, expenditure and privacy.

Within this framework, on 24 July, 2003, Capitalia's Board of Directors appointed Mr. Matteo Arpe, previously General Manager, as Managing Director and member of the Board of Directors. The Board also granted the Managing Director the power to oversee the granting and management of credit as well as the chairmanship of the Management, Lending, Expenditure and Risk and ALM committees. The Board also appointed Mr. Carmine Lamanda to the post of General Manager, and Mr. Alberto Giordano and Mr. Fabio Gallia as Co-General Managers. The General Manager was charged with coordinating business line structures.

These changes were made following the death on 24 June, 2003 of Mr. Giorgio Brambilla, the former Managing Director of Capitalia, Bipop-Carire and FinecoGroup.

### ***Delegations of Powers***

In accordance with CONSOB recommendation no. 97001574 of 20 February, 1997, the Board of Directors has delegated the following powers:

- the Executive Committee has been granted decision-making powers principally regarding lending, operating expenditures and finance;
- pursuant to Article 17 of the by-laws, the Executive Committee may in urgent circumstances take decisions usually taken by the Board of Directors. Similarly, upon a recommendation of the Managing Director, the Chairman may take decisions usually taken by the Executive Committee or Board of Directors when these are unable to meet. The body that is normally responsible for such decisions shall be informed at its next meeting; and

- in addition to the powers established in Article 17 of the by-laws, the Managing Director is responsible for the guidance, coordination and control of the bank and the Group. The Managing Director is also responsible for the following:
  - recommending general guidelines to the Board of Directors for the Group’s operations, budget and strategic plan;
  - monitoring operations and verifying the achievement of the objectives established in the plan, including at the Group level;
  - proposing budget policy to the Board;
  - overseeing the granting of credit and managing classified loans;
  - taking decisions regarding lending, finance, spending and current operations, in the manner and within the limits of the powers established by the Board; and
  - recommending to the Chairman appointments of representatives of the parent company to the management and control bodies of subsidiaries.

The Managing Director reports periodically to the Board of Directors on operations and on the conformity of results with budget forecasts and the business plan and, at least every quarter, on activities carried out in the performance of the duties delegated to him.

## **2003 results**

### ***Overview***

During 2003, its first full year of operations following formation, the Capitalia Group met and, in certain cases, exceeded the key targets set out in its Business Plan in respect of operations, financial position and cash flow. This was aided by the commitment and application of the new management team. These results were achieved under particularly difficult market conditions worsened by a crisis of confidence that became more severe in the final part of the year.

Profitability recovered strongly, with a gross operating result of €1,459 million, up 50.9% compared to the 2002 restated figure (see “The Issuer – Key Accounting Information” for a description of the basis of the restatement). The increase in profitability reflects substantial growth in revenue, with gross income up 7.8% from 2002, and the concurrent marked reduction of operating costs (down 4.1%), especially in administrative expenses (down 9.6%).

The revenue growth was accompanied by a significant decrease in net write-downs and provisions, which declined by 33% from €2,330 million in 2002 to €1,562 million in 2003, in spite of the economic downturn and the effect of the Parmalat insolvency. The Group made value adjustments of €285 million in connection with its total exposure to the Parmalat group (including both unsecured and guaranteed loans). In particular, the coverage of total unsecured loans to the Parmalat group, which totalled approximately €380 million at the year end 2003, was increased to 70%.

Other extraordinary events in the fourth quarter of 2003, apart from Parmalat, included the allocation of approximately €40 million of resources to the “Investment Protection Plan” as further described under “– Recent Developments”, gains in the amount of €50 million arising on the sale of shareholdings in MCC and in the amount of €60 million on the sale of real estate. Together, these events amounted to a negative charge before taxes of €215 million.

As a result, the Group reported pre-tax income of €136 million for 2003, compared with pre-tax losses of €526 million in 2002, and consolidated net income of €31 million compared with net consolidated losses of €328 million in 2002.

The parent company, Capitalia, reported non-consolidated net income of €89 million in 2003, compared with net losses of €161 million in 2002.

Capitalia's shareholders' meeting held on 30 April, 2004 approved the distribution of a dividend of €0.02 per share, for a total amount of €44 million.

### ***Consolidated Income Statement Data***

Net interest income amounted to €2,444 million in 2003, down 3.5% compared with €2,532 million on a restated basis in 2002 (see "The Issuer – Key Accounting Information" for a description of the basis of the restatement). The decrease was principally due to lower interest rates and subsequent narrower spreads, which were not offset by intermediated volumes.

Net commissions in 2003 amounted to €1,374 million, an increase of 6.7% compared with 2002, due particularly to management, brokerage and advisory services. In the fourth quarter of 2003, net commissions rose by 11.1% compared to the same quarter in 2002.

Dividends and income on equity investments accounted for using the equity method for 2003 remained substantially stable compared to 2002 at €67 million, despite legal provisions that prevented the recording of tax credits on dividends approved after 30 September, 2003.

Income on financial transactions increased to €457 million in 2003 compared with €53 million in 2002. This was due, among other things, to the substantial increase in recurring customer business and to other non-recurring income of €70 million.

Other net income for 2003 amounted to €459 million, down 10.7% from 2002.

For 2003, gross income amounted to €4,801 million, up 7.8% compared with 2002.

Operating costs, including depreciation and amortisation, were reduced by 4.1% from 2002 levels to €3,342 million for 2003. Cost reductions were significant in the area of administrative expenses where costs for 2003 were reduced by 9.6% compared with 2002.

As discussed above, in 2003 gross operating result increased strongly to €1,459 million, up 50.9% on the 2002 figure.

In 2003, value adjustments amounted to €1,562 million compared with €2,330 million in 2002. Value adjustments on loans amounted to €1,081 million in 2003 compared with €1,649 in 2002. In particular, total value adjustments for 2003 included a significant charge of €285 million relating to the Parmalat group. Provisions for liabilities and contingencies in 2003 amounted to €294 million, including those in connection with the Investment Protection Plan, compared with €287 million in 2002.

Net extraordinary income amounted to €239 million for 2003, a significant decrease compared with €837 million in 2002. This decrease reflects the sale of shareholdings, tangible assets, investment securities and credit derivatives.

Pre-tax profit of €136 million in 2003 shows a trend reversal compared with the pre-tax losses of €526 million in 2002.

After taxes of €89 million (compared with €66 million in 2002) and minority interests of €20 million, the Group reported net income for 2003 of €31 million, compared with net losses of €328 million for 2002.

### **Recent Developments**

- On 7 January, 2004 Capitalia acquired a 1.5% stake in MCC from Parmalat S.p.A., now in extraordinary administration, for a consideration of €22 million. This transaction was specifically authorised by the Italian Ministry for Productive Activities in agreement with the Italian Ministry for Agriculture and Forestry.
- In early 2004, the Group introduced an initiative called "Investment Protection". The purpose of this initiative is to send a signal of trust to customers and attempt to safeguard savings that have been invested in corporate bonds. Management believes that this initiative aims to

distinguish the Capitalia Group from its competitors in terms of customer care. The Investment Protection Plan consists of two lines of action.

The first line of action is directed at non-professional customers of the Group who, at 1 January, 2004, held securities portfolios with a Capitalia Group bank that included investments in corporate bonds issued or guaranteed by the Cirio, Giacomelli or Parmalat groups. While Capitalia reaffirms the propriety of its treatment of customers and denies any liability for the losses they incurred, the Group has nonetheless made arrangements for two modes of compensation, depending on the circumstances of the case:

- if the Capitalia Group was part of the consortium that placed the bonds and the customer purchased them on the secondary market, Capitalia will make up the customer's losses such that the customer receives the investment equivalent, in terms of capital and current yield, to an investment in Italian government securities.
- if the Capitalia Group played no part in the issue and/or underwriting of the bond on the primary market, and the customer purchased the bond on the secondary market, then Capitalia will contribute a sum equal to one-half of the loss sustained by the customer.

Under the Investment Protection Plan, title to the securities will remain with the customer, who will be free to manage them without restrictions.

The second line of action in the Investment Protection Plan is directed at non-professional customers of the Group who, at 1 January, 2004, held bonds issued by Italian industrial groups. These customers will be invited to invest in a fund called Fineco Impiego, which specialises in corporate bonds on specific terms. The front-end load commission for this investment will be waived and management fees will be reduced by 50% for the first year.

- In February 2004 the Group entered into a formal agreement for the acquisition of the entire share capital of Cofiri S.p.A., the former financing arm of the IRI Group. Cofiri was sold by IRI in October 2000 to a group of private shareholders. Capitalia's purchase of Cofiri closed on 27 March, 2004. With the acquisition of Cofiri, Capitalia obtained a loan portfolio and factoring activity with a value of approximately €1.5 billion. The transaction was structured so that the main shareholders of Cofiri (Group Tosinvest, controlled by the Angelucci Family, and Fineldo S.p.A., controlled by Vittorio Merloni) reinvested the major part of their holdings in MCC.
- On 18 March, 2004, Capitalia's Board of Directors appointed three new officers: Silvio Sperzani was appointed Head of the Organisation and Systems Department, Giuseppina Baffi was appointed Head of the Human Resources Department and Paolo Rella was appointed Head of "Funzionamento" (the new Operations Management Department, which brings together various activities previously carried out by subsidiaries). The Board of Directors also appointed Raffaele Zippel, previously Chief Executive Officer of Standard & Poor's Italy, as General Manager of Capitalia Service J.V.

In addition, the Board of Directors approved the report on the corporate governance system and on compliance with the Code of Conduct, confirming the presence of six independent directors. Also in connection with corporate governance, the Board (i) changed the composition of the internal audit committee so that only non-executive directors, a majority of which must be independent, can sit on the committee and (ii) changed the composition of the Supervisory Board as required by Legislative Decree 231/01. The Board invited Dr. Renato Granata, Chairman Emeritus of the Constitutional Court and First Honorary Additional Chairman of the Italian Court of *Cassazione*, to become Chairman of the Supervisory Board. The other members of the Supervisory Board are the Head of Internal Audit and Head of the Legal Department.

- On 31 March, 2004, Compagnia Italtipetroli S.p.A. ("**Italtipetroli**"), which is controlled by the Sensi family, announced that it had reached an agreement with Capitalia to restructure and

reduce its debt. Under the agreement, Banca di Roma will at the end of May 2004 convert €35 million of loans into a 49% equity stake in Italtipetroli. Italtipetroli has agreed to undertake a significant restructuring programme to sell buildings and other assets, including a stake in Aeroporti di Roma, in order to raise cash, which will then be used to reduce debt owed to Capitalia and other creditors. Italtipetroli owns 95% of Roma 2000, which in turn controls 64% of AS Roma, the Rome-based football club. If the asset sale programme, which the Capitalia Group is following as advisor, is completed as planned, the Sensi family will have the option to reacquire the 49% stake ceded to Banca di Roma.

- On 7 April 2004 Capitalia launched an offering of Euro 1,056.6 million of exchangeable notes due 2009. With this operation Capitalia intends to benefit from advantageous financing terms thanks to favorable market conditions and the exchangeable structure. The notes, issued and redeemable by Capitalia, will be exchangeable starting from two years from the Closing Date (7 May 2004). The Notes will be exchangeable into approx. 40.05 million ordinary shares of Assicurazioni Generali S.p.A. (“Generali”), corresponding to the investment participation held by Capitalia in Generali.

Italy has recently experienced a number of high profile corporate insolvencies, including those relating to Cirio Finanziaria S.p.A. and its group (“Cirio”) and to Parmalat S.p.A. and its group (“Parmalat”), both of which are Italian-based multinational food products conglomerates. The Italian authorities are currently conducting wide-ranging investigations aimed at establishing whether any offences have been committed in relation to these insolvencies. These proceedings have been extended to a number of senior officers of Italian banks involved in the financing of companies belonging to the Cirio and Parmalat groups. These investigations have involved officers of the Issuer as follows:

- (1) with respect to the insolvency proceedings relating to Cirio, the Italian authorities have carried out investigations in connection with the Issuer’s general credit risk and exposure towards Cirio, the shareholdings held by the Issuer in certain companies belonging to the Cirio group, and the Issuer’s role in the issuance of Cirio’s corporate bonds. In addition, certain current and former officers of the Issuer, including the Chairman of the Board of Directors, were served with legal notification of investigation (*informazione di garanzia*) relating to alleged fraud (*truffa*) and bankruptcy fraud (*bancarotta fraudolenta*) offences in connection with the Cirio insolvency. Such current and former officers of the Issuer agreed to appear before the office of the public prosecutor for questioning, in order to clarify these issues and to facilitate the provision of pertinent information. An *informazione di garanzia* is a notification that Italian public prosecutors are required to serve upon any person who is under investigation before prosecutors can take certain steps including, but not limited to, formal questioning of the person being investigated, or carrying out searches and seizures (as in this case). Such notification is for the protection of the person being investigated and does not mean that the recipient has been charged with any offence.
- (2) with respect to the insolvency proceedings relating to Parmalat, the Italian authorities have carried out investigations in connection with the role of the Issuer in the sales to Parmalat of Eurolat, a company previously owned by Cirio, and Ciappazzi, a company previously owned by the Ciarrapico group. On 6 May, 2004 the Issuer became aware that the Chairman of its Board of Directors had been served with an *informazione di garanzia* in connection with alleged offences including conspiracy to commit bankruptcy fraud (*reato associativo volto a commettere bancarotta fraudolenta*), fraudulent representation of corporate information (*false comunicazioni sociali*) and bank fraud (*ricorso abusivo al credito*) in connection with these proceedings. With reference to the Eurolat sale, the Chairman of the Board of Directors has already provided clarifications by appearing before the office of the public prosecutor in the Cirio insolvency.

In addition, the Chairman of the Issuer’s Board of Directors is involved in insolvency proceedings relating to Gruppo Italcasse - Bertelli, which commenced in 2001. The Italian authorities have investigated the roles played by the Issuer and several other financial institutions in the financing of Gruppo Italcasse-

Bertelli. On 27 April, 2004, certain current and former officers of the Issuer, including the Chairman of the Issuer's Board of Directors, were charged (*rinvitato a giudizio*) with bankruptcy fraud (*bancarotta fraudolenta*) in connection with these proceedings. The *rinvio a giudizio* is a determination by a court that, following the completion of preliminary investigations, the evidence has been deemed sufficient for a trial to take place. The *rinvio a giudizio* does not in any manner mean that the individual involved will be found guilty or liable in any proceedings, but, rather, means that the court has determined that adversary proceedings, including cross-examination, are required in order to assess the merits of the charges. The Issuer, together with two other banks involved in these proceedings, recently reached a settlement with the court-appointed receiver, pursuant to which such receiver withdrew its claim for damages in the criminal proceeding as well as its objection to the amount of the Issuer's claim against the bankruptcy estate.

As at the date of this Information Memorandum, given also the information currently available to the Issuer, the Issuer is unable to assess the impact, if any, that such investigations and charges or related proceedings may have on it or it and its subsidiaries taken as a whole.

#### **Outlook for 2004**

In 2004 the Capitalia Group intends to focus on the full implementation of the 2003-2005 Business Plan, despite management's perception of the ongoing economic downturn and the ensuing difficult business climate.

The Group's priorities are:

- completing the innovation of processes and products in order to increase revenues, productivity and efficiency;
- further expansion of professional and management skills within the Group; and
- the management of non-performing loans and, in particular, those that were securitised through the Trevi special purpose vehicles.

Following the major achievements in the first year of the Business Plan, in 2004 the Group expects that the substantial rationalisation of organisational, management and governance functions carried out at all levels of the Group should help deliver significant results in terms of income and capital base.

## DISCUSSION ON RESULTS FOR THE FIRST QUARTER OF 2004<sup>1</sup>

On May 13, 2004, the Board of Directors of Capitalia S.p.A., examined and approved the Group's financial statements for the first quarter 2004.

Generally speaking, the Group's key balance sheet and income statement items demonstrated positive trends for the quarter. In particular:

- total income grew by 2% compared to the first quarter 2003 and costs were further reduced (-0.3%);
- gross operating result, amounting to €332 million, rose by over 8%;
- income on ordinary operations more than doubled to €139 million;
- net income for the period grew to €62 million.

### Consolidated balance sheet data

The Capitalia Group balance sheet at March 31, 2004, shows, year-on-year, a substantially stable level of total funding (€101,958 million versus €102,854 at March 2003) and a marginal increase in total loans from €90,587 million to €90,726 million. Customer funding, amounting to €72,184 million, fell slightly compared to €72,913 million at December 31, 2003, and compared to the restated balance at March 31, 2003 (€73,036 million). Customer loans amounted to €74,741 million versus €75,227 million at December 31, 2003, and €75,788 million at March 31, 2003. This data takes into account the consolidation into the Capitalia Group of Cofiri, which contributed customer loans of about €1,300 million, and the reduction (of circa €1,700 million) in loans of the international branches of Banca di Roma.

At March 31, 2004, total impaired loans amounted to €6,438 million (down 3.6%), due to the significant write-downs made in the past year, which brought the coverage ratio from 46.9% at March 31, 2003, to 48.5% at December 31, 2003, and to 49.3% at March 31, 2004. Net non performing loans stood at €4,591 million (accounting for 6.1% of total loans), in line with the balance of the same period of 2003 (€4,569 million) and with the year-end 2003 balance (€4,543 million). Watchlist loans, amounting to €1,847 million, declined significantly from €2,107 million at March 2003 and from €1,904 million at December 2003.

Over the past twelve months the securities portfolio decreased by €746 million (down 5.1%), while at the same time interbank funding fell by €1,103 million (down 9.6%).

Tier 1 (6.9%) remained stable and in line with the 2005 Business Plan target.

### Consolidated income statement data

At March 31, 2004, consolidated net interest income amounted to €603 million, down 3.4% compared to the first quarter 2003, but up 1% compared to fourth quarter 2003. This result was due primarily to the decrease in interest rates, that was only partly offset by a careful management of spreads. Net commissions amounted to €351 million, up 5.8% owing, among other things, to a better mix of assets under management and a more efficient commission structure. Income on financial transactions, amounting to €65 million, decreased by 19.7% compared to first quarter 2003, also as a result of the lower income from sales of structured wealth management products and of sales of derivatives to corporate customers. Other net income amounted to €116 million (up 30.2% from €89 million in the same quarter of the prior year). Dividends and income from Group equity investments accounted for with the equity method totaled €10 million (versus a negative balance of €4 million at March 31, 2003). The resulting total income amounted to €1,145 million

<sup>1</sup> Financial data at March 31, 2003 were restated to make them comparable with those at March 31, 2004. Specifically the financial data of the following entities were excluded from the data reported at March 31, 2003:

✓ Entrium Direct Bankers A.G banking business;

✓ Holding Banca della Rete S.p.A. that was accounted for using the equity method.

Please note that the companies of the former Cofiri Group became part of the Capitalia Group on January 1, 2004.

versus €1,123 million in first quarter 2003 (up 2%). Operating expenses, amounting to €813 million, further declined (down 0.3%). It should be noted, in particular, the reduction in staff costs (down 0.7%) and other administrative expenses (down 1.1%). Gross operating result, amounting to €332 million, grew significantly by 8.2% from €307 million in the same quarter of the prior year, due to greater revenues (up 2%) and lower costs (down 0.3%). Net write-downs and provisions, amounting to €193 million, were significantly reduced (down 20.6%) from €244 million in the first quarter 2003. In particular, net write-downs of loans (€143 million) dramatically declined (down 24.2%), benefiting from greater write-backs. Income on ordinary operations, amounting to €139 million, more than doubled compared to €63 million at March 2003, due to the growth of operating income and to lower write-downs and provisions. Extraordinary income amounting to €35 million (versus a loss of €5 million in the first quarter 2003), primarily reflects the sale of Edison shares and *warrants*, which generated gains of about €25 million. Pre-tax income was €174 million versus €59 in the first quarter 2003.

After income taxes for the period of €96 million and minority interests of €16 million, consolidated net income for the first quarter 2004 amounted to €62 million versus €11 million in first quarter 2003.

On May 13, 2004, the management team was further strengthened with the appointment of Andrea Crovetto, previously Deputy General Manager at UniCredit Banca, as General Manager of Banca di Roma.

## MANAGEMENT

### Board of Directors

Capitalia's by-laws provide that the Board of Directors consists of between 11 and 19 members. The shareholders' meeting held on 4 December, 2003 determined that the Board of Directors would currently be composed of 19 members. Directors are elected for three financial years or until their successor is elected or appointed.

The table below sets out the name and position of the members of Capitalia's Board of Directors. The term of office of the current directors expires on 4 December, 2006.

<b>Name</b>	<b>Position</b>
Cesare Geronzi <sup>(1)</sup> .....	Chairman
Coenraad Hendrik Adolph (Dolf) Collee .....	Deputy Chairman
Mario Federici <sup>(1) (3)</sup> .....	Deputy Chairman
Matteo Arpe <sup>(1)</sup> .....	Managing Director
Giampaolo Angelucci .....	Director
Antonio Belloni .....	Director
Carlo Colaiacovo .....	Director
Roberto Colaninno .....	Director
Salvatore Cuffaro .....	Director
Paolo Fresco .....	Director
Jonella Ligresti .....	Director
Alfio Marchini <sup>(1)</sup> .....	Director
Gabriel M. Marino .....	Director
Paolo Mariotti <sup>(3)</sup> .....	Director
Ahmed A. Menesi <sup>(3)</sup> .....	Director
Carlo Alessandro Puri Negri <sup>(1)</sup> .....	Director
Alberto Rossetti <sup>(2)(3)</sup> .....	Director
Giuliano Tagliavini <sup>(3)</sup> .....	Director
Pierluigi Toti <sup>(1)</sup> .....	Director
Alberto Giordano .....	Secretary

(1) Member of the Executive Committee.

(2) Resigned from the Executive Committee as of 30 March, 2004.

(3) Independent

### Board of Statutory Auditors

Capitalia's by-laws provide that the Board of Statutory Auditors is composed of three auditors and three substitute auditors. The members are elected for a term of three financial years.

The table below sets out the name and position of the members of Capitalia's Board of Statutory Auditors. The term of office of the current members, who were appointed by the shareholders' meeting on 30 April, 2004, expires on 30 April, 2007.

<b>Name</b>	<b>Position</b>
Umberto Bertini .....	Chairman
Franco Luciano Tutino .....	Auditor
Michele Galeotti .....	Auditor
Marcello Mingrone .....	Substitute Auditor
Stefano Ciccioriccio .....	Substitute Auditor
Francesco Colombi .....	Substitute Auditor

### Senior Management

The table below sets out the name and position of Capitalia's senior management as at 5 May, 2004.

<b>Name</b>	<b>Position</b>
Matteo Arpe.....	Managing Director
Carmine Lamanda .....	General Manager
Fabio Gallia .....	Co-General Manager
Alberto Giordano .....	Co-General Manager
Carmine De Robbio .....	Deputy General Manager

### External Auditors

Reconta Ernst & Young S.p.A. were appointed as independent auditors of Capitalia in April 2003 for a term of three years.

### Shareholdings of Directors, Statutory Auditors and the General Manager

The table below shows the number of shares of Capitalia Group companies held by directors, statutory auditors and the General Manager at 31 December, 2002, the number of shares acquired or disposed of by such individuals during 2003, and the number of shares held at 31 December, 2003.

<b>Name</b>	<b>Company</b>	<b>Shares held at 31 December, 2002</b>	<b>Shares acquired in 2003</b>	<b>Shares disposed of in 2003</b>	<b>Shares held at 31 December, 2003</b>
Cesare Geronzi	Capitalia S.p.A.	4,299	–	3,049 <sup>(1)</sup>	1,250 <sup>(3)</sup>
Cesare Geronzi	FinecoGroup S.p.A.	8,836	–	8,836 <sup>(1)</sup>	–
Matteo Arpe	MCC S.p.A.	95,028	–	–	95,028
Matteo Arpe	Capitalia S.p.A.	989	–	–	989
Roberto Colaninno	Capitalia S.p.A.	–	22,325,528 <sup>(2)</sup>	–	22,325,528
Alfio Marchini	Capitalia S.p.A.	–	21,050,158 <sup>(2)</sup>	4,499,000	16,551,158
Alfio Marchini	MCC S.p.A.	950,277 <sup>(2)</sup>	–	–	950,277
Carmine Lamanda	Capitalia S.p.A.	7,588	–	–	7,588

(1) Held jointly with spouse.

(2) Held through companies over which the individual exercises control.

(3) Held by spouse.

In addition, Mr. Matteo Arpe, managing director of the Capitalia Group, purchased 200,000 shares of Capitalia over the stock exchange on 20 January, 2004.

## CONSOLIDATED CAPITALISATION OF THE ISSUER

The following table shows the consolidated capitalisation and reserves of the Issuer as at 31 December, 2003. This data has been derived from the audited consolidated financial statements of the Issuer as at and for the year ended 31 December, 2003. There has been no material change in the capitalisation or indebtedness of the Issuer since 31 December, 2003 other than the issue of the Notes that are the subject of this Information Memorandum.

	As at 31 December, 2003 (€ millions)
<b>Long term debt:</b>	
Subordinated debt .....	3,326
Other debt <sup>(1)</sup> .....	99,799
<b>Total debt</b> .....	<b>103,125</b>
<b>Shareholders' equity:</b>	
Share capital .....	2,207
Legal reserve .....	469
Other reserves <sup>(2)</sup> .....	3,911
Results before taxes <sup>(3)</sup> .....	136
<b>Total shareholders' equity</b> .....	<b>6,723</b>
<b>Total capitalisation</b> .....	<b>109,847</b>

(1) Due to banks, due to customers, certificates of deposit and securities issued.

(2) Including Group loan-loss provisions (other than the portion of loan-loss provisions relating to minority interests).

(3) Including profits of minority interests for the period.

## **SUMMARY CONSOLIDATED AND UNCONSOLIDATED FINANCIAL AND OPERATING INFORMATION OF THE ISSUER**

Set out below is summary consolidated and unconsolidated financial information relating to the Issuer, which is derived from the consolidated and unconsolidated financial statements of the Issuer as at and for the years ended 31 December, 2002 and 2003.

The consolidated and unconsolidated financial statements of the Issuer as at and for the years ended 31 December, 2002 and 2003 have been audited by Reconta Ernst & Young S.p.A. (independent auditors of the Issuer), as indicated in their audit reports thereon, which are incorporated by reference into this Information Memorandum, together with the mentioned financial statements and the notes thereto.

This section also contains restated income statement data for the year ended 31 December, 2002, as more fully described under “The Issuer – Key Accounting Information” above.

**CAPITALIA GROUP**  
**INCOME STATEMENT**

	<b>Year ended 31 December, 2003 (audited)</b>	<b>Year ended 31 December, 2002<sup>(*)</sup> (audited)</b>
	<i>(€ thousands)</i>	
<b>NET INTEREST INCOME</b> .....	<b>2,443,994</b>	<b>2,709,142</b>
Net commissions .....	1,374,265	1,348,543
Income (loss) on financial transactions .....	457,389	54,383
Dividends (item 30) and income/loss on equity investments accounted for using the equity method .....	66,869	480,227
Other net income .....	458,723	514,092
<b>GROSS INCOME</b> .....	<b>4,801,240</b>	<b>5,106,387</b>
Operating expenses .....	(3,342,201)	(3,642,180)
a) staff costs .....	(1,771,338)	(1,878,743)
b) other administrative expenses .....	(1,120,503)	(1,307,567)
c) amortisation and depreciation of intangible and tangible fixed assets .....	(450,360)	(455,870)
<b>GROSS OPERATING RESULT</b> .....	<b>1,459,039</b>	<b>1,464,207</b>
Writedowns of loans net of writebacks .....	(1,080,904)	(1,657,203)
Provisions for liabilities and contingencies .....	(294,160)	(286,966)
Loan loss provisions .....	(368)	(923)
Writedowns of financial fixed assets net of writebacks .....	(186,478)	(393,653)
<b>INCOME (LOSS) ON ORDINARY OPERATIONS</b> .....	<b>(102,871)</b>	<b>(874,538)</b>
Extraordinary income/loss .....	238,673	743,890
<b>INCOME (LOSS) BEFORE TAXES</b> .....	<b>135,802</b>	<b>(130,648)</b>
Change in provisions for general banking risks .....	3,848	207,000
Income taxes for the period .....	(88,803)	(414,425)
Minority interests .....	(20,005)	50,951
<b>NET INCOME (LOSS) FOR THE PERIOD</b> .....	<b>30,842</b>	<b>(287,122)</b>

(\*) Data originally published in the audited consolidated financial statements as at and for the year ended 31 December, 2002. The data are not directly comparable with those at 31 December, 2003, due to changes in the area of consolidation. See "The Issuer – Key Accounting Information".

**CAPITALIA GROUP**  
**RESTATED INCOME STATEMENT**

	Year 31 ended December 2003 (audited)	Year ended 31 December 2002 <sup>(*)</sup> (unaudited)	Change Amount	%
	<i>(€ thousands)</i>			
<b>NET INTEREST INCOME</b> .....	<b>2,443,994</b>	<b>2,532,229</b>	<b>(88,235)</b>	<b>(3.5)</b>
Net commissions .....	1,374,265	1,287,728	86,537	6.7
Income (loss) on financial transactions .....	457,389	52,862	404,527	765.3
Dividends and income/loss on equity investments accounted for using the equity method .....	66,869	66,357	512	0.8
Other net income .....	458,723	513,588	(54,865)	(10.7)
<b>GROSS INCOME</b> .....	<b>4,801,240</b>	<b>4,452,764</b>	<b>348,476</b>	<b>7.8</b>
Operating expenses .....	(3,342,201)	(3,486,185)	143,984	(4.1)
a) staff costs .....	(1,771,338)	(1,796,485)	25,147	(1.4)
b) other administrative expenses.....	(1,120,503)	(1,239,191)	118,688	(9.6)
c) amortisation and depreciation of intangible and tangible fixed assets .....	(450,360)	(450,509)	149	(0.0)
<b>GROSS OPERATING RESULT</b> .....	<b>1,459,039</b>	<b>966,579</b>	<b>492,460</b>	<b>50.9</b>
Writedowns of loans net of writebacks and loan loss provisions .....	(1,081,272)	(1,648,620)	567,348	(34.4)
Provisions for liabilities and contingencies.....	(294,160)	(286,966)	(7,194)	2.5
Writedowns of financial fixed assets net of writebacks .....	(186,478)	(393,653)	207,175	(52.6)
<b>INCOME (LOSS) ON ORDINARY OPERATIONS</b> .....	<b>(102,871)</b>	<b>(1,362,660)</b>	<b>1,259,789</b>	<b>(92.5)</b>
Extraordinary income/loss .....	238,673	837,039	(598,366)	(71.5)
<b>INCOME (LOSS) BEFORE TAXES</b> .....	<b>135,802</b>	<b>(525,621)</b>	<b>661,423</b>	<b>n.s.</b>
Change in provision for general banking risks .....	3,848	207,000	(203,152)	(98.1)
Income taxes for the period .....	(88,803)	(66,455)	(22,348)	33.6
Minority interests .....	(20,005)	56,951	(76,956)	n.s.
<b>NET INCOME (LOSS) FOR THE PERIOD</b> ....	<b>30,842</b>	<b>(328,125)</b>	<b>358,967</b>	<b>n.s.</b>

(\*) Restated data. See "The Issuer – Key Accounting Information".

**CAPITALIA GROUP**  
**CONSOLIDATED BALANCE SHEET**

	As at 31 December, 2003 (audited)	As at 31 December, 2002(*) (audited)
(€ thousands)		
<b>Assets</b>		
Cash and balances with central banks and post offices .....	820,406	1,037,734
Treasury securities and other securities eligible for refinancing with central banks .....	1,893,836	3,082,337
Loans to banks: .....	17,120,411	20,416,887
a) repayable on demand .....	2,328,666	1,393,563
b) other .....	14,791,745	19,023,324
Loans to customers .....	75,227,197	80,093,801
<i>of which:</i>		
– with third party funds under Administration .....	19,789	17,881
Bonds and other debt securities .....	10,010,318	13,642,646
a) public issuers .....	2,344,219	3,263,476
b) issued by banks .....	3,145,013	4,875,406
<i>of which:</i>		
– own securities .....	1,717,993	1,549,634
c) issued by financial institutions .....	2,799,971	3,235,339
d) other issuers .....	1,721,115	2,268,425
Shares and other equities .....	1,401,395	1,281,203
Equity investments .....	2,696,907	1,755,404
a) equity accounting .....	354,110	174,795
b) other .....	2,342,797	1,580,609
Equity investments in Group companies .....	372,913	139,265
a) equity accounting .....	367,223	123,905
b) other .....	5,690	15,360
Goodwill arising on consolidation .....	149,237	240,705
Goodwill arising on application of equity method .....	38,994	45,745
Intangible assets .....	562,826	457,926
<i>of which:</i>		
– set-up costs .....	53,996	74,091
– goodwill .....	37,120	40,161
Tangible assets .....	2,301,244	2,465,888
Own stock nominal value €13,942 .....	31,732	9,545
Other assets .....	13,908,101	14,421,115
Accrued income and pre-paid expenses: .....	1,847,351	1,851,570
a) accrued income .....	1,009,400	1,444,623
b) pre-paid expenses .....	837,951	406,947
<i>of which:</i>		
– discount on issue of securities .....	12,614	16,269
<b>Total assets</b> .....	<b>128,382,868</b>	<b>140,941,771</b>
<b>Guarantees and commitments:</b>		
Guarantees issued .....	9,905,896	11,523,823
<i>of which:</i>		
– acceptances .....	107,919	123,744
– other guarantees .....	9,797,977	11,400,079
Commitments .....	22,401,007	18,664,139
<i>of which:</i>		
– repurchase agreements .....	15,407	–

(\*) Data originally published in the audited consolidated financial statements as at and for the year ended 31 December, 2002. The data are not directly comparable with those at 31 December, 2003, due to the changes in the area of consolidation. See “The Issuer – Key Accounting Information”.

**CAPITALIA GROUP**  
**CONSOLIDATED BALANCE SHEET**

	As at 31 December, 2003 (audited)	As at 31 December, 2002(*) (audited)
	(€ thousands)	
<b>Liabilities</b>		
Due to banks .....	<b>27,017,298</b>	<b>31,576,592</b>
a) repayable on demand .....	2,134,099	1,909,616
b) term or notice .....	24,883,199	29,666,976
Due to customers .....	<b>46,075,821</b>	<b>52,114,404</b>
a) repayable on demand .....	39,296,937	44,760,685
b) term or notice .....	6,778,884	7,353,719
Debt securities issued .....	<b>26,705,488</b>	<b>28,856,167</b>
a) bonds .....	23,578,349	23,912,617
b) certificates of deposit .....	2,498,485	4,283,023
c) other .....	628,654	660,527
Third party funds under administration .....	<b>132,112</b>	<b>144,605</b>
Other liabilities .....	<b>12,998,396</b>	<b>12,629,927</b>
Accrued expenses and deferred income .....	<b>1,686,970</b>	<b>1,371,774</b>
a) accrued expenses .....	1,006,675	1,050,396
b) deferred income .....	680,295	321,378
Staff severance pay		
Provision .....	<b>852,180</b>	<b>909,965</b>
Provision for liabilities and contingencies .....	<b>2,468,796</b>	<b>2,533,652</b>
a) provision for pensions and similar liabilities.....	791,113	828,434
b) provision for tax and duties .....	805,723	899,263
c) consolidation provision for future liabilities and contingencies .....	–	–
d) other .....	871,960	805,955
Loan loss provisions .....	<b>14,050</b>	<b>37,770</b>
a) group companies .....	10,442	28,634
b) minority interests .....	3,608	9,136
Provision for general banking risks .....	<b>3,117</b>	<b>7,560</b>
a) group companies .....	1,494	5,568
b) minority interests .....	1,623	1,992
Subordinated liabilities .....	<b>3,326,272</b>	<b>3,592,230</b>
Negative goodwill arising on consolidation .....	–	–
Negative goodwill arising on application of equity method	–	–
Minority interest .....	<b>485,454</b>	<b>450,236</b>
Share capital .....	<b>2,206,881</b>	<b>2,206,821</b>
Share premium account.....	<b>3,127,428</b>	<b>3,147,392</b>
Reserves.....	<b>1,107,182</b>	<b>1,330,511</b>
a) legal reserve .....	468,905	468,905
b) reserve for treasury stock.....	31,732	9,545
c) statutory reserves .....	562,764	562,764
d) other reserves .....	43,781	289,297
Revaluation reserves .....	<b>141,981</b>	<b>316,687</b>
a) group companies .....	130,710	305,878
b) minority interests .....	11,271	10,809
Retained earnings .....	<b>2,600</b>	<b>2,600</b>
Net income (loss) for the period .....	<b>30,842</b>	<b>(287,122)</b>
<b>Total liabilities</b>	<b>128,382,868</b>	<b>140,941,771</b>

(\*) Data originally published in the audited consolidated financial statements as at and for the year ended 31 December, 2002. The data are not directly comparable with those at 31 December, 2003, due to the changes in the area of consolidation. See “The Issuer – Key Accounting Information”.

**CAPITALIA S.p.A.**  
**RECLASSIFIED INCOME STATEMENT**

	<b>Year ended 31 December, 2003 (audited)</b>	<b>Year ended 31 December, 2002<sup>(*)</sup> (audited)</b>
	<i>(€ thousands)</i>	
<b>NET INTEREST INCOME</b> .....	<b>(301,976)</b>	<b>949,432</b>
Net commissions .....	(77,639)	409,581
Income (loss) on financial transactions .....	312,183	17,548
Dividends .....	406,226	750,557
Other net income .....	141,318	205,765
<b>GROSS INCOME</b> .....	<b>480,112</b>	<b>2,332,883</b>
Operating expenses .....	(243,596)	(1,403,319)
a) staff costs .....	(79,087)	(782,249)
b) other administrative expenses .....	(138,662)	(506,681)
c) amortization and depreciation of intangible and tangible assets .....	(25,847)	(114,389)
<b>GROSS OPERATING RESULT</b> .....	<b>236,516</b>	<b>929,564</b>
Provision for liabilities and contingencies .....	(161,456)	(163,180)
Writedowns of loans net of writebacks .....	(296,548)	(942,053)
Loan loss provision .....	0	0
Writedowns of financial fixed assets net of writebacks .....	(171,225)	(317,975)
<b>INCOME (LOSS) ON ORDINARY OPERATIONS</b> .....	<b>(392,713)</b>	<b>(493,644)</b>
Extraordinary income /loss .....	47,189	216,079
<b>INCOME (LOSS) BEFORE TAXES</b> .....	<b>(345,524)</b>	<b>(277,565)</b>
Change in provision for general banking risks .....	0	207,000
Income taxes for the period .....	434,421	(90,170)
<b>NET INCOME (LOSS) FOR THE PERIOD</b> .....	<b>88,897</b>	<b>(160,735)</b>

(\*) Data are not comparable

**CAPITALIA S.p.A.**  
**INCOME STATEMENTS**

	Year ended 31 December, 2003 (audited)	Year ended 31 December, 2002(*) (audited)
	<i>(in euro)</i>	
Interest income and similar revenues .....	1,098,887,577	3,222,049,290
<i>of which:</i>		
<i>on loans to customers</i> .....	80,240,974	1,846,228,404
<i>on debt securities</i> .....	310,627,254	585,327,471
Interest expense and similar charges .....	(1,400,863,647)	(2,272,617,688)
<i>of which:</i>		
<i>on amounts due to customers</i> .....	(9,081,531)	(319,295,106)
<i>on debt securities</i> .....	(477,174,607)	(729,533,837)
Dividends and other income from: .....	406,225,919	750,556,989
a) shares and other equities .....	5,396,487	10,616,188
b) equity investments .....	46,029,316	57,805,697
c) equity investments in group companies .....	354,800,116	682,135,104
Commission income .....	26,940,044	497,745,573
Commission expense .....	(104,578,788)	(88,164,712)
Income (loss) from financial transactions .....	312,183,176	17,548,316
Other operating income .....	169,059,450	231,453,021
Administrative expenses: .....	(217,748,735)	(1,288,930,474)
a) staff costs .....	(79,086,864)	(782,248,976)
<i>of which:</i>		
<i>wages and salaries</i> .....	(51,953,164)	(547,183,345)
<i>social security contributions</i> .....	(14,909,537)	(144,843,970)
<i>staff severance indemnities</i> .....	(3,718,727)	(49,530,663)
<i>retirement and similar benefits</i> .....	(8,505,436)	(40,690,998)
b) other administrative expenses .....	(138,661,871)	(506,681,498)
Amortization and depreciation of intangible and tangible assets .....	(25,847,510)	(114,388,842)
Provision for liabilities and contingencies .....	(161,455,549)	(163,179,925)
Other operating charges .....	(27,741,376)	(25,688,396)
Writedowns of loans and provision for guarantees and commitments .....	(363,564,831)	(1,059,931,524)
Writebacks of loans and provision for guarantees and commitments .....	67,016,608	117,879,355
Loan loss provision .....	0	0
Writedowns of financial fixed assets .....	(177,553,016)	(350,402,137)
Writebacks of financial fixed assets .....	6,328,144	32,427,269
<b>Income (Loss) on ordinary operations</b> .....	<b>(392,712,534)</b>	<b>(493,643,885)</b>
Extraordinary income .....	279,970,879	330,602,935
Extraordinary loss .....	(232,782,193)	(114,523,583)
<b>Income (Loss) on extraordinary operations</b> .....	<b>47,188,686</b>	<b>216,079,352</b>
Change in provision for general banking risks .....	0	207,000,000
Income taxes for the period .....	434,420,480	(90,170,298)
<b>Net Income (loss) for the period</b> .....	<b>88,896,632</b>	<b>(160,734,831)</b>

(\*) Data are not comparable

**CAPITALIA S.p.A.**

**BALANCE SHEET**

	<b>As at 31 December, 2003 (audited)</b>	<b>As at 31 December, 2002 (audited)</b>
<i>(in euro)</i>		
<b>Assets</b>		
Cash and balances with central banks and post offices .....	-	-
Treasury securities and other securities eligible for refinancing with central banks .....	<b>913,780,314</b>	<b>1,454,528,635</b>
Loans to banks: .....	<b>31,354,431,269</b>	<b>25,771,830,672</b>
a) repayable on demand .....	2,284,857,753	891,052,703
b) other .....	29,069,573,516	24,880,777,969
Loans to customers .....	<b>4,961,515,379</b>	<b>4,067,854,955</b>
<i>of which:</i>		
– with third party funds under Administration .....	565,050	569,671
Bonds and other debt securities .....	<b>6,856,377,843</b>	<b>6,790,148,110</b>
a) public issuers .....	1,863,188,324	1,801,049,415
b) issued by banks .....	2,227,621,282	2,297,381,731
<i>of which:</i>		
own securities .....	1,131,480,743	900,738,633
c) issued by financial institutions .....	2,107,681,193	2,212,668,092
d) other issuers .....	657,887,044	479,048,872
Shares and other equities .....	<b>1,311,399,224</b>	<b>1,160,289,919</b>
Equity investments .....	<b>2,058,298,341</b>	<b>1,089,651,200</b>
Equity investments in group companies .....	<b>8,691,865,759</b>	<b>8,700,749,674</b>
Intangible assets .....	<b>36,668,591</b>	<b>42,375,502</b>
<i>of which:</i> .....		
set-up costs .....	18,013,422	23,399,658
goodwill .....	-	37,288
Tangible assets .....	<b>160,741,983</b>	<b>267,972,638</b>
<i>of which:</i>		
assets under finance lease .....	87	1,510,818
Treasury stock .....	<b>29,290,500</b>	<b>7,103,200</b>
<i>n.v. 11,500,000</i>		
Other assets .....	<b>9,509,499,763</b>	<b>8,889,442,298</b>
Accrued income and pre-paid expenses: .....	<b>1,179,543,781</b>	<b>730,476,592</b>
a) accrued income .....	508,276,165	538,635,472
b) pre-paid expenses .....	671,267,616	191,841,120
<i>of which:</i>		
discount on issue of securities .....	6,483,692	9,718,802
<b>Total assets</b> .....	<b>67,063,412,747</b>	<b>58,972,423,395</b>

**GUARANTEES AND COMMITMENTS:**

	<b>As at 31 December, 2003 (audited)</b>	<b>As at 31 December, 2002 (audited)</b>
<i>(in euro)</i>		
<b>Items</b>		
Guarantees issued .....	<b>256,978,308</b>	<b>372,380,444</b>
<i>of which:</i>		
acceptances .....	17,318	17,318
other .....	256,960,990	372,363,126
Commitments .....	<b>12,840,700,857</b>	<b>7,023,495,307</b>
<i>of which:</i>		
repurchase agreements .....	-	-

**CAPITALIA S.p.A.**

**BALANCE SHEET**

	As at 31 December, 2003 (audited)	As at 31 December, 2002 (audited)
<i>(in euro)</i>		
<b>Liabilities</b>		
Due to banks: .....	<b>32,913,649,556</b>	<b>30,142,592,301</b>
a) repayable on demand.....	3,400,804,743	2,582,671,313
b) term or notice.....	29,512,844,813	27,559,920,988
Due to customers: .....	<b>555,241,270</b>	<b>51,221,378</b>
a) repayable on demand.....	-	-
b) term or notice.....	555,241,270	51,221,378
Debt securities issued: .....	<b>14,281,850,405</b>	<b>11,274,768,186</b>
a) bonds .....	14,281,850,405	11,274,768,186
b) certificates of deposit .....	-	-
c) other.....	-	-
Third party funds under administration .....	-	-
Other liabilities .....	<b>8,066,739,668</b>	<b>6,565,680,311</b>
Accrued expenses and deferred income: .....	<b>1,204,887,630</b>	<b>619,692,344</b>
a) accrued expenses .....	646,594,015	415,808,509
b) deferred income .....	558,293,615	203,883,835
Staff severance pay .....		
provision .....	<b>22,771,526</b>	<b>29,099,251</b>
Provision for liabilities and contingencies: .....	<b>450,031,718</b>	<b>596,757,189</b>
a) provision for pension & similar liabilities .....	86,366,669	84,946,735
b) provision for taxes and duties .....	133,649,209	340,789,642
c) other.....	230,015,840	171,020,812
Loan loss provision.....	-	-
Provision for general banking risks .....	-	-
Subordinated liabilities .....	<b>2,666,282,143</b>	<b>2,845,675,122</b>
Share capital .....	<b>2,206,881,000</b>	<b>2,206,821,000</b>
Share premium account .....	<b>3,127,428,171</b>	<b>3,147,391,978</b>
Reserves: .....	<b>1,356,266,724</b>	<b>1,356,266,724</b>
a) legal reserve.....	468,904,630	468,904,630
b) reserve for treasury stock .....	29,290,500	7,103,200
c) statutory reserves .....	562,763,626	562,763,626
d) other reserves.....	295,307,968	317,495,268
Revaluation reserves .....	<b>119,885,908</b>	<b>294,592,046</b>
Retained earnings .....	<b>2,600,396</b>	<b>2,600,396</b>
Net income (loss) for the period.....	<b>88,896,632</b>	<b>(160,734,831)</b>
<b>Total liabilities .....</b>	<b>67,063,412,747</b>	<b>58,972,423,395</b>

## TAXATION

The statements herein regarding taxation summarize the principal Italian tax consequences of the purchase, the ownership and the disposal of the Notes. They apply to a holder of Notes only if such holder purchases its Notes in this offering. It is a general summary that does not apply to certain categories of investors and does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes. It does not discuss every aspect of Italian taxation that may be relevant to a holder of Notes if such holder is subject to special circumstances or if such holder is subject to special treatment under applicable law.

This summary also assumes that the Issuer is organized, and that the Issuer's business will be conducted in the manner outlined in this Information Memorandum. Changes in the Issuer's organizational structure, tax residence or the manner in which the Issuer conducts its business may invalidate this summary.

The statements herein regarding taxation are based on the laws in force in the Republic of Italy as of the date of this Information Memorandum and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The Issuer will not update this summary to reflect changes in laws and if such a change occurs the information in this summary could become invalid.

Law No. 80 of 7th April 2003 for the reform of the Italian tax system has empowered the Italian Government to introduce – within a two-year period - a general reform of the tax regime of financial income and of taxation of individuals and corporations, that may impact on the current tax regime of the Notes, as summarized below. Part of said reform has been enacted by Legislative Decree No. 344 of 12th December 2003, effective as of 1 January 2004 (the “**Decree 344**”).

Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

### 1. Tax treatment of Notes – General

Legislative Decree No. 239 of 1 April 1996, as amended, (“**Decree 239**”) regulates the tax treatment of interest, premiums and other income (including the difference between the redemption amount and the issue price, hereinafter collectively referred to as “**Interest**”) from notes issued, *inter alia*, by Italian resident banks. The provisions of Decree 239 only apply to those Notes issued by the Issuer with a maturity of eighteen months or more which qualify as bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*) pursuant to Article 44, paragraph 2(c) of Presidential Decree No. 917 of 22 December 1986, as amended.

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

### 2. Italian Resident Noteholders

Where the Italian resident Noteholders, who are the beneficial owners of the Notes, are (a) private individuals holding Notes not in connection with a business activity; (b) partnerships (other than *società in nome collettivo*, *società in accomandita semplice* or similar partnerships), *de facto* partnerships not carrying out business activities and professional associations; (c) public and private entities, other than companies, not carrying out business activities; or (d) entities exempt from corporate income tax, Interest payments relating to the Notes are subject to a final tax, referred to as *imposta sostitutiva*, levied at the rate of 12.5 per cent. (either when the Interest is paid by the relevant Issuer, or when payment therefor is obtained by the Noteholder on a sale of the relevant Notes). The *imposta sostitutiva* may not be recovered as a deduction from the income then due.

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

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

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

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

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

Where an Italian Noteholder is a corporation or a similar commercial entity (including a permanent establishment in Italy of a foreign entity) and the Notes and the relevant coupons are deposited with an Intermediary, payments of Interest will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder’s annual income tax return and are therefore subject to general Italian corporate taxation, according to ordinary rules.

The *imposta sostitutiva* regime described herein does not apply in case the Notes are held (i) in a discretionary investment portfolio managed by an authorised Intermediary pursuant to the so-called discretionary investment portfolio regime (the *Risparmio Gestito* regime, as described below under “**Capital Gains**”); and (ii) by Italian resident collective investment funds (which includes *Fondi comuni d’investimento mobiliare*, or SICAVs), as well as Luxembourg investment funds regulated by Article 11 of Italian Law Decree No. 512 of 30 September 1983 (collectively, the “**Funds**”).

In such cases, to the extent that the Notes and the relevant coupons are deposited with an Intermediary, Interest will not be subject to *imposta sostitutiva* but will contribute to determine the annual net accrued result of the managed portfolio or of the Funds, as the case may be, which is subject to an ad-hoc substitutive tax of 12.5 per cent., required to be applied by the managing professional intermediary. Pursuant to Law Decree No. 269 of 30 September 2003, converted, with amendments, by Law No. 326 of 24th November 2003 (the “**Decree 269**”), effective as of October 2, 2003, the substitutive tax rate is reduced to 5 per cent. in case of Funds mainly investing in small-medium companies listed in a regulated market of an EU member state.

Italian pension funds subject to the regime provided by Articles 14, 14-ter and 14-quater, paragraph 1, of Legislative Decree No. 124 of 21 April 1993 (the “**Pension Funds**”) are subject to an 11 per cent substitutive tax on their annual net accrued result. To the extent that the Notes and the relevant coupons are deposited with an Intermediary, then Interest on Notes held by Pension Funds will not be subject to *imposta sostitutiva* but will be included in the calculation of said annual net accrued result.

Article 41-bis, paragraph 8, of Decree 269, with effect from 1 January 2004, has repealed the 1 per cent annual substitutive tax previously applicable on the accounting net value of certain real estate investment funds (the “**Real Estate Investment Funds**”) and, subject to certain exceptions, Article 41-bis, paragraph 9, of Decree 269 has also introduced a 12.5 per cent. withholding tax applicable in certain cases on proceeds from the participation in Real Estate Investment Funds.

The 12.5 per cent *imposta sostitutiva* indicated above does not apply to payments of Interest in respect of Notes to Real Estate Investment Funds, to the extent that the Notes and the relevant coupons are deposited with an Intermediary.

### 3. Non-Italian resident Noteholders

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

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

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

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

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

- (i) the deposit of the Notes and the relevant coupons, either directly or indirectly, with an institution which qualifies as a Second Level Bank; and
- (ii) the submission to the First Level Bank or the Second Level Bank of a statement of the relevant Noteholder, to be provided only once, in which it declares that it is eligible to benefit from the exemption from *imposta sostitutiva*. Such statement must comply with the requirements set forth by a Ministerial Decree dated 12 December 2001.

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

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

Failure to comply with the above exemption procedure will result in the application of *imposta sostitutiva* on proceeds payable to non-resident Noteholders (increased by 1.5 per cent. for each month or fraction of a month of delay after the month in which payment of *imposta sostitutiva* should have been made) pursuant to the ordinary rules applicable for the payment of *imposta sostitutiva* by Italian resident investors.

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

#### 4. Early Redemption

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

#### 5. Notes with a maturity of less than eighteen months

Pursuant to article 26 of Decree 600, Notes issued by the Issuer with an original maturity of less than eighteen months are subject to a withholding tax levied at the rate of 27 per cent.

Where the Noteholder is (i) an individual carrying on a business activity to which the Notes are effectively connected, (ii) an Italian corporation or a similar Italian commercial entity (including a permanent establishment in Italy of a foreign entity), such withholding tax is an advance withholding tax. In all other cases, the withholding tax is a final withholding tax.

#### 6. Atypical securities

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

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

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

#### 7. Capital Gains

##### Italian resident Noteholders

Pursuant to Legislative Decree No. 461 of 21 November 1997, as amended (“**Decree 461**”) a 12.5 per cent. capital gains substitutive tax (referred to as “**CGT**”) is applicable to capital gains realised by Italian resident individuals not engaged in business activities, non-commercial entities, associations and partnership, on any sale or transfer of the Notes for consideration or on redemption thereof.

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

Should the Notes qualify as atypical securities, based on a very restrictive interpretation, the aforesaid capital gains would be subject to the 27 per cent. final withholding tax mentioned under paragraph 6., above.

Taxpayers can opt for one of the three following regimes in order to pay the CGT:

- (a) pursuant to the tax return regime (“*Regime della Dichiarazione*”): the Noteholder will have to assess the overall capital gains realized in a certain fiscal year, net of any incurred capital losses, in his annual income tax return and pay the CGT so assessed together with the income tax due for the same fiscal

year. Losses exceeding gains can be carried forward in the following fiscal years up to the fourth. As such regime constitutes the ordinary regime, the taxpayer must apply it whenever he does not opt for any of the two other regimes;

- (b) Pursuant to the Non-discretionary Investment Portfolio Regime (“*Risparmio amministrato*”) the Noteholders, may elect to pay CGT separately on capital gains realised on each sale or transfer or redemption of the Notes. Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with banks, SIMs or other authorised intermediaries and (ii) an express election of separate taxation being timely made in writing by the relevant Noteholder. The separate taxation election lasts for the entire fiscal year and unless revoked prior to the end of such year will be deemed valid also for the subsequent one. The intermediary is responsible for accounting for the CGT in respect of capital gains realised on each sale or transfer or redemption of the Notes, as well as on capital gains realised as at revocation of its mandate, net of any incurred capital losses, and is required to pay the relevant amount to the Italian fiscal authorities by the 16th day of the second month following the month in which the CGT is applied, by deducting a corresponding amount from the proceeds to be credited to the Noteholder. Where a particular sale, transfer or redemption of the Notes results in a net loss, the intermediary is entitled to deduct such loss from gains subsequently realised on assets held with the same intermediary in the same fiscal year, as well as in the following fiscal years up to the fourth. Under the *Risparmio Amministrato* regime the Noteholder is not required to declare the gains in its annual income tax return.
- (c) pursuant to the discretionary investment portfolio regime (“*Risparmio Gestito*”), if the Notes are part of a portfolio managed by an Italian asset management company, capital gains will not be subject to the CGT, but will contribute to determine the annual net accrued result of the portfolio. Said annual net accrued result of the portfolio, even if not realized, is subject to an ad-hoc 12.5 per cent. substitutive tax, required to be applied on behalf of the Noteholder by the asset management company. Any losses of the investment portfolio accrued at year end may be carried forward against net profits accrued in each of the following fiscal years, up to the fourth. Under such regime the Noteholder is not required to declare the gains in its annual income tax return.

#### **Non-Italian resident Noteholders**

Pursuant to Decree 461, as amended, any capital gains realised by non-Italian resident individuals and corporations (without a permanent establishment in Italy to which the Notes are effectively connected), through the sale, transfer or redemption of the Notes, are exempt from taxation in Italy to the extent that the Notes are listed on a regulated market, in Italy or abroad, even if the Notes are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

Capital gains realized by non Italian resident Noteholders on Notes not listed in a regulated market are subject to tax in Italy, provided that the relevant Notes are held in Italy. However, pursuant to Article 5 of Decree 461, the aforesaid capital gains are not subject to tax in Italy, provided that the same conditions described under 3, above, are met.

#### **Corporate investors (including banks and insurance companies)**

Capital gains realized by Italian resident corporate entities (including a permanent establishment in Italy of a foreign entity) on the disposal or redemption of the Notes will form part of the aggregate income subject to corporation tax (“**IRES**” applying at a rate equal to 33 per cent. starting from the fiscal year commencing on or after January 2004) Banks and insurance companies may be subject to an additional local tax (“**IRAP**”), generally applying at the rate of 4.25 per cent. The gains are calculated as the difference between the sale price and the relevant tax base of the Notes. Upon fulfillment of certain conditions, the gains may be taxed in equal installments over up to five fiscal years both for IRES and for IRAP purposes.

#### **The Funds**

Capital gains realized by the Funds on the Notes will contribute to determine the annual net accrued result of same Funds, which is subject to a 12.5 per cent (or in certain cases, 5 per cent) substitutive tax (see paragraph 2, “**Italian Resident Noteholders**”).

## **The Pension Funds**

Capital gains realized by Pension Funds on the Notes contribute to determine the yearly net accrued result which is subject to a 11 per cent. substitutable tax (See paragraph 2., “**Italian Resident Noteholders**”).

## **The Real Estate Investment Funds**

Capital gains realized by Real Estate Investment Funds on the Notes are not taxable at the level of same Real Estate Investment Funds (see paragraph 2, “**Italian Resident Noteholders**”).

## **8. Transfer tax**

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

- (i) Contracts entered into directly between private parties or with the participation of entities other than banks and persons who are authorized to perform investment services pursuant to Legislative Decree No. 415 of 23 July 1996, as superseded by Legislative Decree No. 58 of 24 February 1998, or stockbrokers (hereinafter referred to as the “**Authorized Intermediaries**”) are subject to a transfer tax of euro 0.0083 for every euro 51.65, or part of euro 51.65, of the price of the Notes.
- (ii) Contracts between private parties, with the participation of Authorized Intermediaries, or between private parties and Authorized Intermediaries, are subject to a transfer tax of euro 0.00465 for every euro 51.65, or part of euro 51.65, of the price of the Notes.
- (iii) Contracts between Authorized Intermediaries are subject to a transfer tax of euro 0.00465 for every euro 51.65, or part of euro 51.65, of the price of the Notes.

Further, in cases under (ii) and (iii) above, the amount of transfer tax payable cannot exceed euro 929.62 for each transaction or repurchase agreement.

However, transfer tax is not levied in the following cases:

- (i) contracts entered into on regulated markets;
- (ii) contracts relating to securities which are admitted to listing in the regulated markets and finalized outside such markets and entered into:
  - (a) between Authorized Intermediaries;
  - (b) between Authorized Intermediaries and non-residents;
  - (c) between Authorized Intermediaries, also non-resident, and undertakings for collective investments in transferable securities;
- (iii) contracts relating to public offers for the admission to listing in regulated markets or relating to securities already admitted to listing on such markets;
- (iv) contracts having a consideration not higher than euro 206.58; and
- (v) securities lending transactions and any contracts having the same economic purpose.

The change in depository not involving a transfer of ownership of the Notes is not subject to Italian transfer tax.

## **9. Inheritance and Gift Tax**

Pursuant to Law No. 383 of 18 October 2001, inheritance and gift tax has been repealed. Transfers by reason of gift to persons other than the spouse, siblings or relatives within the 4th degree will be subject to transfer taxes ordinarily applicable for transfers for consideration, provided that the value of the gift received by each

person exceeds euro 180,759.91 and limited to such excess. In this respect, the Italian fiscal authorities have expressed the view that the stamp duty tax mentioned above cannot be considered as a “transfer tax ordinarily applicable” to transfers for consideration.

#### **10. Tax Monitoring**

Pursuant to Law Decree No. 167 of 28 June 1990, converted by Law No. 227 of 4 August 1990, as amended, individuals resident in Italy who, at the end of the fiscal year, hold investments abroad or have financial activities abroad must, in certain circumstances, disclose the aforesaid and related transactions to the Italian fiscal authorities. This obligation does not exist in cases where the overall value of the foreign investments or financial activities at the end of the fiscal year, and the overall value of the transactions carried out during the relevant fiscal year, does not exceed euro 12,500. as well as in case the financial assets are given in administration or management to Italian banks, SIMs, fiduciary companies or other professional intermediaries, indicated in Article 1 of the aforementioned Law Decree No. 167, or if one of such intermediaries intervenes, also as a counterparty, in their transfer, provided that income deriving from such financial assets is collected through the intervention of such an intermediary.

#### **11. European Union Savings Directive**

The European Union has adopted a Directive regarding the taxation of savings income in the form of interest payments (Council Directive 2003/48/EC of 3 June 2003). Subject to a number of important conditions being met, it is proposed that Member States will be required from a date not earlier than 1 January 2005 to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person within its jurisdiction to an individual in another Member State, except that Austria, Belgium and Luxembourg will instead impose a withholding system for a transitional period unless during such period they elect otherwise.

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

## SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Bank to any one or more of ABN AMRO Bank N.V., Banca IMI S.p.A., Banc of America Securities Limited, Credit Suisse First Boston (Europe) Limited, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities Ltd., Lehman Brothers International (Europe), MCC S.p.A., Merrill Lynch International, Morgan Stanley & Co. International Limited and UBS Limited (the “Dealers”). The arrangements under which Notes may from time to time be agreed to be sold by the Bank to, and purchased by, Dealers are set out in a Dealer Agreement dated 9 May 2003, as supplemented by a Supplemental Dealer Agreement dated 27 May 2004 (the “Dealer Agreement”) and made between the Bank and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Bank in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

**United States of America:** *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Pricing Supplement or neither if TEFRA is specified as not applicable in the relevant Pricing Supplement.*

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

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

Each Dealer has represented and agreed that, and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Principal Paying Agent or the Bank by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Principal Paying Agent or the Bank shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

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

### United Kingdom

Each Dealer has represented and agreed that:

- (a) **No offer to public:** in relation to Notes which have a maturity of one year or more and which are not be admitted to the Official List of the Financial Services Authority (in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (the “FSMA”), the “UK Listing Authority”), it has not offered or sold and, prior to the expiry of a period of six months from the Issue Date of such Notes, will not offer or sell any such Notes to persons in the United Kingdom 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 businesses 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;
- (b) **No deposit-taking:** in relation to any Notes having a maturity of less than one year:

- (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and:
- (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
  - (1) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
  - (2) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Bank;

- (c) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Bank; and
- (d) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## Italy

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

Each of the Dealers has represented and agreed that it will not offer, sell or deliver any Notes or distribute copies of this Information Memorandum or any other document relating to the Notes in the Republic of Italy except to “**Professional Investors**” (*operatori qualificati*), as defined in Article 31.2 of CONSOB Regulation No. 11522 of 1 July 1998 as amended (“**Regulation No. 11522**”) as recently amended, pursuant to Articles 30.2 and 100 of Legislative Decree No. 58 of 24 February 1988 as amended (“**Decree No. 58**”), or in any other circumstances where an expressed exemption to comply with the solicitation restrictions provided by Decree No. 58 or Regulation No. 11971 of 14 May 1999 as amended applies, *provided, however*, that any such offer, sale or delivery of the Notes or distribution of copies of this Information Memorandum or any other document relating to the Notes in the Republic of Italy must be:

- (i) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended from time to time (“**Decree No. 385**”), Decree No. 58, CONSOB Regulation No. 11522 and any other applicable laws and regulations;
- (ii) in compliance with Article 129 of Decree No. 385 and the implementing instructions of the Bank of Italy, pursuant to which the issue, offering, trading or placement of securities in the Republic of Italy is subject to a prior notification to the Bank of Italy, unless an exemption, depending, *inter alia*, on the amount and the characteristics of the Notes issued or offered in the Republic of Italy, applies; and
- (iii) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

## Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan and, accordingly, each Dealer has undertaken that it will not offer or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in

effect at the relevant time. For the purposes of this paragraph, “**Japanese Person**” shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

### **Switzerland**

Each Dealer has agreed that any issue of Notes denominated in Swiss Francs will be in compliance with the guidelines of the Swiss National Bank regarding issues of Swiss Franc denominated debt securities.

### **General**

Other than with respect to the admission to listing, trading and/or quotation by such one or more listing authorities, stock exchanges and/or quotation systems as may be specified in the Pricing Supplement, no action has been or will be taken in any country or jurisdiction by the Bank or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Information Memorandum or any Pricing Supplement comes are required by the Bank and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed “*General*” above.

Selling restrictions may be supplemented or modified with the agreement of the Bank. Any such supplement or modification will be set out in the relevant Pricing Supplement (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or (in any other case) in a supplement to this document.

## GENERAL INFORMATION

In March 2003 the European Commission published a proposal for a Directive of the European Parliament and of the Council on the harmonisation of transparency requirements with regard to information about issuers whose securities are admitted to trading on a regulated market in the European Union ((2003/0045(COD) (the “**Transparency Directive**”). If the Transparency Directive enters into force in a form which would require the Issuer to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the accounting principles which it would otherwise use to prepare its published financial information, the Issuer may seek an alternative admission to listing, trading and/or quotation for the Notes by such other listing authority, stock exchange and/or quotation system outside the European Union as it may decide.

### **Listing**

Application has been made to list Notes issued under the Programme on the Luxembourg Stock Exchange and, in connection therewith, the Luxembourg Stock Exchange has assigned registration number 11602 to the Programme. Prior to the listing of any Notes, the constitutional documents of the Bank and the legal notice relating to the issue will be registered with the *Régistre de Commerce et des Sociétés à Luxembourg*, where copies of these documents may be obtained upon request.

However, Notes may be issued pursuant to the Programme which will not be listed on the Luxembourg Stock Exchange or any other stock exchange or which will be admitted to listing, trading and/or quotation by any other stock exchange, listing authority and/or quotation system as the Bank and the relevant Dealer(s) may agree.

### **Authorisations**

The establishment of the Programme described in this Information Memorandum was authorised by written resolutions of the Board of Directors of the Bank dated 17 April 2003, and the update of the Programme was authorised by written resolutions of the Board of Directors of the Bank dated 22 April 2004. The Bank has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

### **Clearing of the Notes**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series will be specified in the Pricing Supplement relating thereto. The relevant Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

### **Use of proceeds**

The net proceeds of the issue of each Series of Notes will be applied by the Bank to its general financing requirements.

### **Litigation**

Save as disclosed in this Information Memorandum, there are no litigation or arbitration proceedings against or affecting the Bank nor is the Bank aware of any pending or threatened proceedings of such kind, which are or might be material in the context of the Programme or the issue of the Notes thereunder.

### **No material change**

Save as disclosed in this Information Memorandum and since the last day of the financial period in respect of which the most recent consolidated audited financial statements of the Bank have been prepared, there has been no material adverse change, in the financial or trading position condition of the Bank.

### **Documents available**

For so long as the Programme remains in effect or any Notes shall be outstanding, copies and, where appropriate, English translations of the following documents may be inspected (except the Pricing Supplement referred to in sub-clause (e), which shall be obtainable) during normal business hours at the specified offices of the Principal Paying Agent and the Luxembourg Paying Agent, namely:

- (a) the Agency Agreement;
- (b) the Trust Deed;
- (c) the Dealer Agreement;
- (d) the Programme Manual (which contains the forms of the Notes in global and definitive form); and
- (e) The Information Memorandum and any amendments and supplements thereto and any Pricing Supplement relating to Notes which are admitted to listing, trading and/or quotation by any other stock exchange, listing authority and/or quotation system. (In the case of Notes not admitted to listing, trading and/or quotation by any other stock exchange, listing authority and/or quotation system, copies of the relevant Pricing Supplement will only be available for inspection by the relevant Noteholders.).

### **Financial statements available**

For so long as the Programme remains in effect or any Notes shall be outstanding, copies and, where appropriate, English translations of the following documents may be obtained during normal business hours at the specified offices of the Principal Paying Agent and the Luxembourg Paying Agent, namely:

- (a) the most recent publicly available audited consolidated financial statements of the Bank beginning with such financial statements for the years ended 2003 and 2002; and
- (b) the most recently published semi-annual accounts of the Bank (a complete Italian version and a summarised English version consisting of balance sheet and income statement) on a consolidated basis beginning from June 2004.

The Bank produces annual audited non-consolidated financial statements and annual audited consolidated financial statements for the Group.

Under Italian law, companies whose shares are listed on a stock exchange in Italy are required to have their annual accounts audited by a firm of independent auditors. Financial statements of the Bank as of and for the year ended 2003 have been audited by Reconta Ernst & Young S.p.A.

**CAPITALIA S.p.A.**

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