

OFFERING MEMORANDUM

**C.B.I. Banca Popolare
C.&I. Commercio e Industria**

Gruppo Bancario Banca Popolare Commercio e Industria

€115,000,000

Banca Popolare Commercio e Industria Capital Trust

9.0% Noncumulative Guaranteed Trust Preferred Securities
(liquidation preference €1,000 per Trust Preferred Security)
representing a corresponding amount of

9.0% Noncumulative Guaranteed Company Preferred Securities of
Banca Popolare Commercio e Industria Funding LLC

each guaranteed on a subordinated basis, as described herein, by
Banca Popolare Commercio e Industria S.c.a r.l.

The 9.0% Noncumulative Guaranteed Trust Preferred Securities (the “Trust Preferred Securities”) offered hereby represent undivided beneficial ownership interests in the assets of Banca Popolare Commercio e Industria Capital Trust, a statutory business trust created under the laws of the State of Delaware (the “Trust”). The sole assets of the Trust will be the 9.0% Noncumulative Guaranteed Company Preferred Securities (the “Company Preferred Securities”) issued by Banca Popolare Commercio e Industria Funding LLC, a limited liability company created under the laws of the State of Delaware (the “Company”). The Trust Preferred Securities will be perpetual, will be denominated in euro and will have a fixed rate for cash distributions of 9.0% per annum on the liquidation preference of €1,000 per Trust Preferred Security to but excluding June 27, 2011 and thereafter will have a floating rate of cash distributions of 5.4% per annum above the Euro Inter-bank Offered Rate for three-month euro deposits (“EURIBOR”) on the liquidation preference. Banca Popolare Commercio e Industria S.c.a r.l. (the “Bank”), a bank incorporated with limited liability in Italy, will guarantee the Trust Preferred Securities and the Company Preferred Securities on a subordinated basis (the “Subordinated Guarantees”) to the extent described in this offering memorandum. The Company will directly own all of the common securities of the Trust and the Bank will directly own all of the common securities of the Company.

See “Investment Considerations” beginning on page 23 of this offering memorandum for certain information relevant to an investment in the Trust Preferred Securities.

Application has been made to list the Trust Preferred Securities on the Luxembourg Stock Exchange.

The Trust Preferred Securities are expected to be assigned on issue a rating of BBB by Standard & Poor’s Ratings Group and BBB by Fitch Ratings Ltd. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

The Trust Preferred Securities are being offered and sold only outside the United States to non-US persons in reliance on Regulation S under the United States Securities Act of 1933, as amended (the “Securities Act”) and may not be offered or sold except in accordance with the restrictions described herein. See “Subscription and Sale.”

Offering price: 100% of €1,000 per Trust Preferred Security,
plus accrued dividends, if any, from the date of original issue.

It is expected that delivery of the Trust Preferred Securities will be through the facilities of the Euroclear System (“Euroclear”) and Clearstream Banking, société anonyme (formerly Cedelbank) (“Clearstream Luxembourg”) on or about June 27, 2001 against payment therefor in immediately available funds.

Schroder Salomon Smith Barney

June 15, 2001.

The Bank, the Trust and the Company, having made all reasonable inquiries, confirm that this offering memorandum contains all information with regard to the Bank, the Trust, the Company and the Trust Preferred Securities that is material in the context of the issue and offering of the Trust Preferred Securities, that the information contained in this offering memorandum is true and accurate and is not misleading, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which would make this offering memorandum or any of such information or the expression of any such opinions or intentions materially misleading. The Bank, the Trust and the Company accept responsibility accordingly.

No person has been authorized to give any information or to make any representations other than those contained in this offering memorandum and, if given or made, such information or representations must not be relied upon as having been authorized by any of the Bank, the Trust, the Company or Salomon Brothers International Limited (the “Bookrunner”). This offering memorandum does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates. Neither the delivery of this offering memorandum nor any sale hereunder shall create, under any circumstances, any implication that there has been no change in the affairs of the Bank, the Trust or the Company since the date hereof or that the information contained herein is correct as of any time after its date.

EACH PURCHASER OF THE TRUST PREFERRED SECURITIES MUST COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN EACH JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS THE SECURITIES OR POSSESSES OR DISTRIBUTES THIS OFFERING MEMORANDUM AND MUST OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY IT FOR THE PURCHASE, OFFER OR SALE BY IT OF THE SECURITIES UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTION TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH PURCHASES, OFFERS OR SALES, AND NONE OF THE BANK, THE TRUST, THE COMPANY OR THE BOOKRUNNER SHALL HAVE ANY RESPONSIBILITY THEREFOR.

This offering memorandum had been prepared by the Bank, the Trust and the Company for use by the Bookrunner in making offers and sales of the Trust Preferred Securities outside the United States to non-U.S. Persons in reliance on Regulation S under the Securities Act and for listing purposes.

Each purchaser of the Trust Preferred Securities offered hereby will be deemed to have represented and agreed that such purchaser understands that neither the Trust Preferred Securities, the Company Preferred Securities nor the Subordinated Guarantees have been registered under the Securities Act and may not be offered, sold or delivered in the United States to or for the account or benefit of any U.S. Person. The Trust Preferred Securities will bear a legend to that effect, unless the Bank, the Trust and the Company determine otherwise in compliance with applicable law (terms used above that are defined in Regulation S under the Securities Act are used as therein defined).

Any employee benefit plan subject to the fiduciary responsibility provisions of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), may not purchase either the Trust Preferred Securities or the Company Preferred Securities.

For a further description of certain restrictions on the offering, sale and resale of the Trust Preferred Securities and on the distribution of this offering memorandum, see “Description of the Trust Securities—Form, Denomination and Transfer” and “Subscription and Sale.”

The Trust Preferred Securities have not been approved or disapproved by the U.S. Securities and Exchange Commission (the “SEC”), any state securities commission in the United States or any other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary may be unlawful.

The securities offered hereby have not been approved or recommended by the Commissione Nazionale per le Società e la Borsa (“CONSOB”) or by the Banca d’Italia (the “Bank of Italy”). Furthermore, neither CONSOB nor the Bank of Italy has reviewed this offering memorandum or confirmed the accuracy or determined the adequacy of this offering memorandum.

This offering memorandum does not constitute an offer to sell or the solicitation of an offer to buy the Trust Preferred Securities in any jurisdiction in which such offer or solicitation is unlawful. This document may not be issued or passed on in the United Kingdom to any person unless that person is

of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 or is a person to whom the document may otherwise lawfully be issued or passed on. For a further description of certain restrictions on the offering and sale of the Trust Preferred Securities and on the distribution of this offering memorandum, see “Subscription and Sale” and “Notice to Purchasers.”

Each purchaser of the Trust Preferred Securities offered hereby will be deemed to have represented and agreed that, in connection with the Offering, it has not offered or sold and will not offer or sell, directly or indirectly, the Trust Preferred Securities to the public in the Republic of Italy, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in the Republic of Italy, this offering memorandum or any other offering material relating to the Trust Preferred Securities, and that such offers, sales and distributions have been and shall only be made in the Republic of Italy (i) to certain Professional Investors and (ii) in circumstances that are exempted from the rules on solicitation of investments (the “Exemptions”) pursuant to Section 100 of Legislative Decree No. 58 of February 24, 1998 (the “Unified Financial Act”) and Section 33, paragraph 1, of CONSOB regulation No. 11971 of May 14, 1999, as amended and adopted pursuant to the Unified Financial Act. For purposes of the foregoing, “Professional Investors” include persons (other than natural persons) defined as qualified operators in Section 31, paragraph 2, of CONSOB Regulation No. 11522 of July 1, 1998, as amended and adopted pursuant to the Unified Financial Act.

Any offer or sale of the Trust Preferred Securities or any distribution of this offering memorandum or any rendering of advice in respect of an investment in the Trust Preferred Securities or Company Preferred Securities, within Italy in connection with this offering, must be conducted by registered securities dealing firms (*società d’intermediazione mobiliare* or “SIMs”), authorised banks or investment firms (as described in the Unified Financial Act) or financial companies enrolled in the special register described in Section 107 of Legislative Decree No. 385 of September 1, 1993 and in compliance with Section 129 of Legislative Decree No. 385 of September 1, 1993 (and implementing guidelines of the Bank of Italy).

The Trust Preferred Securities are not deposits or other obligations of the Bank and are not insured by any governmental agency.

Until 40 days after the commencement of this offering, an offer or sale by any dealer (whether or not participating in this offering) of the Trust Preferred Securities may violate the registration requirements of the Securities Act if such offer or sale is made in the United States or to, or for the account or benefit of, any U.S. person (as defined by Regulation S under the Securities Act).

The Trust reserves the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the full amount of the Trust Preferred Securities offered hereby.

In connection with this offering, Salomon Brothers International Limited may over-allot or effect transactions which stabilize or maintain the market price of the Trust Preferred Securities at a level which might not otherwise prevail. Such transactions, if commenced, may be discontinued at any time.

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AVAILABLE INFORMATION AND INCORPORATION BY REFERENCE

Copies of the following documents are incorporated by reference into this offering memorandum and will be available upon request to the Bank and free of charge at the specified office of BNP Paribas Luxembourg in Luxembourg (the “Luxembourg Listing Agent”).

- the audited consolidated financial statements of the Bank and its consolidated subsidiaries and affiliates (the “Group”) (“Bank’s Consolidated Financial Statements”) as at and for the years ended December 31, 1998, 1999 and 2000 audited by Reconta Ernst & Young.
- the unaudited interim consolidated financial statements of the Group (“Bank’s Interim Consolidated Financial Statements”) as at and for the three month period ended March 31, 2001.
- the audited unconsolidated financial statements of Banca Carime S.p.A (“Carime”) as at and for the years ended December 31, 1998, 1999 and 2000 (“Carime’s Financial Statements”). Carime’s Financial Statements as at and for the years ended December 31, 1998 and 1999 have been audited by Arthur Andersen S.p.A. Carime’s Financial Statements as at and for the year ended December 31, 2000 have been audited by Reconta Ernst & Young.
- the unaudited interim unconsolidated financial statements of Carime (“Carime’s Interim Financial Statements”) as at and for the three month period ended March 31, 2001.
- unaudited financial statements of the Group as if our proposed acquisition of a 75% interest in Carime had occurred as of January 1, 2000 for the pro forma income statement for the year ended December 31, 2000 (the “Annual Pro Forma Consolidated Financial Statements”) and as if the proposed acquisition had occurred as at January 1, 2001 for the pro forma income statement and balance sheet as at and for the three months ended March 31, 2001 (the “Interim Pro Forma Consolidated Financial Statements”).
- the 1998, 1999 and 2000 Annual Report of the Bank (the “Annual Reports”).

The Bank’s Consolidated Financial Statements, the Bank’s Interim Consolidated Financial Statements, Carime’s Financial Statements and Carime’s Interim Financial Statements are collectively referred to herein as the “Financial Statements.” The Annual Pro Forma Consolidated Financial Statements and the Interim Pro Forma Consolidated Financial Statements are collectively referred to herein as the “Pro Forma Financial Statements.”

Except as otherwise specified in the Annual Reports, the information included in the Annual Reports is only accurate as of the date therefor, and the Trust, the Company and the Bank undertake no responsibility to update any information set forth in the Annual Reports. Any statement contained in the Annual Reports shall be deemed modified or suspended for purposes of this offering memorandum to the extent that a statement contained herein modifies or supersedes such statement.

On May 24, 2001 the Bank completed an offering of 26,100,000 Ordinary Shares. A copy of the offering memorandum dated May 19, 2001 relating to that offering (the “Equity Offering Memorandum”), has been distributed to potential investors together with this document and is incorporated herein by reference. You should read the Equity Offering Memorandum in conjunction with the sections in this offering memorandum entitled “Investment Considerations,” “Operating and Financial Review and Prospects of the Group,” “The Group’s Business,” “Operating and Financial Review and Prospects of Carime,” and “Carime’s Business.”

For discussions regarding “Selected Consolidated Financial Information of the Group,” “Operating and Financial Review and Prospects of the Group—Results of Operations for the Years Ended December 31, 2000, 1999 and 1998,” “Operating and Financial Review and Prospects of the Group—Analysis of the Consolidated Financial Condition as at December 31, 2000, 1999 and 1998,” “Our Business—History of the Group,” “Our Business—Description of the Group,” “Our Business—Strategy,” “Our Business—Distribution Channels,” “Our Business—Competition,” “Our Business—Employees,” “Our Derivatives,” “Selected Statistical Information for the Group,” “Selected Financial Information of Carime,” “Operating and Financial Review and Prospects of Carime—Results of Operations for the Years Ended December 31, 2000, 1999 and 1998,” “Operating and Financial Review and Prospects of Carime—Analysis of the Financial Conditions as at December 31, 2000, 1999 and 1998,” “Operating and Financial Review and Prospects of Carime—Free Capital,” “Carime’s Business—Distribution Channels,” “Carime’s Business—Competition,” “Carime’s Derivatives,”

“Selected Statistical Information for Carime” and “The Italian Banking System, Supervision and Regulation,” see the Equity Offering Memorandum, which has been distributed to potential investors together with this document and is incorporated herein by reference.

A copy of any or all of the documents deemed to be incorporated herein by reference will be available free of charge from the principal office in Luxembourg of BNP Paribas Luxembourg (the “Luxembourg Listing Agent”) so long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The financial information contained in this offering memorandum has been prepared in accordance with accounting principles prescribed by Italian law, as supplemented by the accounting principles promulgated by the *Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri* (together referred to as “Italian GAAP”).

For convenience only we have translated certain Lira figures into Euro at the fixed exchange rate established by the European Council of Ministers on December 31, 1998 of Lit. 1,936.27 = Euro 1.00. To obtain a current formulation of the value of Italian Lira amounts in U.S. dollars, you must first convert Lire into Euro at the fixed Lira/Euro conversion of Lit. 1,936.27 = Euro 1.00, and then convert the resulting Euro amount into U.S. dollars at the prevailing exchange rate. For your information the exchange rate between Lire and dollars represents the Lire equivalent (at the Lira/dollar rate) of Lit. 2,177 = \$1.00, the Noon Buying Rate in the City of New York for cable transfers in foreign currencies as announced by the Federal Reserve Bank of New York for customs purposes on May 3, 2001. By including convenience currency translations in this offering memorandum, we are not representing that the Lira amounts actually represent the dollar amounts shown or could be converted into dollars at the rates indicated. For information about the exchange rate between the Lira and U.S. dollar for periods from 1995 through May 3, 2001 and between the U.S. dollar and the Euro since January 1, 1999, see “Exchange Rates and the European Monetary Union.”

- References to “dollars,” “\$” and “U.S. dollars” are to United States dollars;
- References to “Lire,” “Lira” or “Lit.” are to Italian Lire; and
- References to “€,” “EUR” or “Euro” are to the Euro, the single currency established for participants in third stage of the European Monetary Union, or EMU. See “Exchange Rates and the European Monetary Union.”

Unless otherwise indicated, we present financial data in millions of Lire. For the convenience of the reader in this offering memorandum, unless otherwise not available we have rounded most financial data to tenths of a million of Lire. As a result of this rounding, the totals of the data presented herein may slightly vary from the actual arithmetic totals of such data. In the tables herein, a dash (“—”) represents no value while the numbers “0,” “0.0” or “0.00” (or “(0),” “(0.0)” or “(0.00)”) represents a rounded amount. Additionally, percentage figures that would otherwise be derived by dividing by zero have also been represented by a dash.

Unless otherwise indicated, information and statistics presented herein regarding market trends as well as the Bank’s, Carime’s and the Group’s market share relative to competitors are based on data derived from publicly available sources.

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OFFERING MEMORANDUM SUMMARY

The following summary description of the Bank and the Group should be read in conjunction with the more detailed information set forth in the Equity Offering Memorandum, which has been distributed to potential investors together with this document and the Financial Statements (including the notes thereto) all of which are incorporated herein by reference.

The Bank

History of the Bank

The Bank was established in 1888 by a group of manufacturers and merchants in the silk industry. Originally, the Bank's principal activity was the supply of services related to the production and trade of silk but, by the beginning of the 1900s, it began to offer financial services and in 1921 adopted the name "*Banca per il Commercio Serico*" (Silk Commerce Bank). In 1975 the Bank adopted its current name. In the early 1990s, the Bank began to strengthen and consolidate its position in the Lombardy region and began expanding into other regions primarily through internal growth. The Group was formed in 1996, following the Bank's acquisition of Banca Popolare di Luino e di Varese S.p.A. ("BPLV").

The Group

Overview

The Group is one of the leading regional banking groups in northern Italy and has traditionally operated mainly in the region of Lombardy, targeting primarily small- and medium-sized businesses for its lending activities and high net-worth individuals for its asset management activities. The Group provides commercial banking and investment services and offers customers a wide range of banking and financial products, asset management services and securities brokerage and trading services (including on-line trading), private banking services, insurance products and leasing and factoring services. The Group deliver its products and services to customers through a multichannel distribution approach, which includes a traditional network of branches, private banking units, Internet and telephone banking and its network of financial consultants. Through a subsidiary, ONBanca S.p.A. ("ONBanca"), the Group also one of the first banks in Italy to offer Internet banking.

Since 1990, the Group has been expanding into other regions, including the Piedmont, Emilia Romagna, Veneto, Marche and Abruzzo regions. The Group also recently taken steps to expand into southern Italy through organic growth and by entering into a share purchase agreement (the "Purchase Agreement") for the acquisition of a controlling interest in Banca Carime S.p.A. ("Carime"). See "The Proposed Acquisition of Carime." The acquisition is subject to the implementation of a capital reinforcement plan, of which this Offering forms a part. The acquisition will be completed upon receipt of Bank of Italy approval of the acquisition which is conditional on completion of the Bank's capital reinforcement plan.

As at December 31, 2000, the Group had 208 branches and 37 private banking units and more than 330,000 customers. Upon completion of the Carime acquisition, the newly-enlarged banking group will comprise approximately 570 branches and approximately 1,195,000 customers.

The Group's net non-performing loans to overall loan ratio has decreased from 1.4% as at December 31, 1998 to 0.9% as at December 31, 2000. As at December 31, 1998 and 2000, the national average for this ratio (as reported by the Italian Banking Association ("ABI")) was 5.4% and 2.97%, respectively.

As at and for the year ended December 31, 2000, the Group had total assets of Lit. 19,484.2 billion (including outstanding customer loans of Lit. 11,873.7 billion), total customer funding of Lit. 11,178.0 billion, total operating income of Lit. 923.6 billion and net profits of Lit. 74.9 billion. As at December 31, 2000, the book value of our assets under management was Lit. 71,876 billion.

As at December 31, 2000, the Bank and BPLV together represented 92.6% of total Group assets.

Strategy

We intend to become one of the leading multi-regional Italian banking groups and generate value for our shareholders by implementing the following strategy:

- increasing our multi-regional presence in Italy through acquisition and internal growth;
- maximizing operational efficiency and profitability by exploiting our Group's potential synergies;
- continuing to develop and distribute products and services with a focus on asset management and expanding our portfolio of sophisticated financial products; and
- improving our quality of service and supporting development of our strategic objectives by expanding our multi-channel distribution network and upgrading our Information Communications Technology ("ICT") platform.

Recent Events

Simultaneously with this offering, the Bank completed a €230 million offering of Lower Tier 2 subordinated debt.

Restructuring of ONBanca

On June 6, 2001, the Bank announced its intention to restructure the operations of ONBanca, its internet banking subsidiary. The proposed restructuring reflects lower than expected performance within ONBanca as well as within the international and Italian internet banking sector. The Bank considers ONBanca to continue to play a crucial role as a technological platform for all of the banks within the Group. Following the Bank's announcement, certain members of the management of ONBanca resigned. The Bank intends to hire or appoint new members of the management team as soon as possible.

The Equity Offering

On May 24, 2001, the Bank completed the sale of 26,100,000 ordinary shares resulting in net proceeds to the Bank of approximately €354.4 million. The Bank intends to use the proceeds of the sale of its shares, in conjunction with the net proceeds of this offering as part of its capital reinforcement plan that was a condition of the Bank of Italy's approval of the proposed acquisition of Carime.

The Establishment of a Conversion Period

On March 19, 2001, the Bank Board of Directors, pursuant to the authority granted to it by the shareholders' meeting of February 3, 2001, established a one-time conversion period for the 1999-2004 Convertible Bonds, which began on March 30, 2001 and ended on April 30, 2001.

The Proposed Acquisition of Carime

On November 21, 2000, we entered into the Purchase Agreement for the acquisition from Banca Intesa S.p.A. of 75% of the share capital of Carime, for Lit. 2,306 billion. The acquisition is subject to the implementation of a capital reinforcement plan. See "The Proposed Acquisition of Carime." The acquisition is expected to enlarge our customer base by approximately 700,000 Carime customers and to utilize an infrastructure that, as at December 31, 2000, comprised 344 branches situated primarily in the Calabria, Puglia and Basilicata regions. Our credit ratings were all re-confirmed following the announcement of our proposed acquisition of Carime.

Capital Treatment

The Bank intends to treat the Company Preferred Securities as Tier 1 capital on a consolidated and on a stand-alone basis under relevant Italian regulatory capital guidelines.

This Offering

For a more complete description of the terms of the Trust Preferred Securities, the Company Preferred Securities, the Derivative Contracts, the Subordinated Guarantees and the Subordinated Deposits referred to in the following summary, see “Description of the Trust Securities,” “Description of the Company Securities,” “Description of the Initial Derivative Contract,” “Description of the Subordinated Guarantees” and “Description of the Eligible Investments” and the documents described therein. Capitalized terms used and not otherwise defined below have the respective meanings to those terms under those headings.

The Trust	Banca Popolare Commercio e Industria Capital Trust, a Delaware statutory business trust, is an indirect wholly-owned subsidiary of the Bank. The Trust will issue its common securities (the “Trust Common Securities”) and the Trust Preferred Securities (collectively, the “Trust Securities”). The sole assets of the Trust will be the Company Preferred Securities.
The Company	Banca Popolare Commercio e Industria Funding LLC, a Delaware limited liability company, is a direct wholly-owned subsidiary of the Bank. The Company will issue its common securities (the “Company Common Securities”) and the Company Preferred Securities (collectively, the “Company Securities”) and enter into a credit derivative contract with the Bank (the “Initial Derivative Contract” and, together with renewals and replacements thereof, “Derivative Contracts”). The sole assets of the Company will be the Trust Common Securities, a subordinated deposit (the initial subordinated deposit is referred to as the “Initial Subordinated Deposit” and, together with renewals and replacements thereof, “Subordinated Deposits”) with the Bank and other Eligible Investments.
The Bank	Banca Popolare Commercio e Industria S.c.a r.l., a bank incorporated with limited liability under the laws of the Republic of Italy.
Offered Securities	115,000 Trust Preferred Securities issued by the Trust having an aggregate liquidation preference of €115,000,000, and a liquidation preference of €1,000 per Trust Preferred Security. The Trust Preferred Securities represent undivided beneficial ownership interests in the assets of the Trust. The Trust Preferred Securities will have terms that are substantially identical to the terms of the Company Preferred Securities.
Issue Date	On or about June 27, 2001.
Derivative Contracts	<p>Upon entering into the Initial Derivative Contract, the Bank will pay a fee in at least three annual installments to the Company in an aggregate amount of €2,331,875, the majority of which the Company will invest in Eligible Investments. If the Initial Derivative Contract is terminated before June 27, 2021 and not renewed or replaced, the Company will refund the Bank’s up-front fee <i>pro rata</i> based on the remaining term of such contract. Under the Derivative Contracts, the Company will agree to make a Capital Deficiency Payment (as defined below) to the Bank upon the occurrence of a Capital Deficiency Event (as defined below). The Company is not obligated to make any other payments under the Derivative Contracts. The Subordinated Deposits will secure the Company’s obligations under the Derivative Contracts. The Initial Derivative Contract will expire on June 27, 2021, although the Bank and the Company have undertaken that, prior to the expiration of the Initial Derivative Contract, they will in good faith negotiate a renewal or replacement of such contract and the related collateral arrangements. The Derivatives Contracts may be terminated at any time, in whole or in part, by the Bank, with the prior approval, if then required, of the Bank of Italy.</p> <p>The Derivative Contracts will be automatically terminated upon the liquidation, dissolution or winding-up of (or similar proceedings with respect to) the Bank.</p>

Capital Deficiency Event Upon the occurrence of a Capital Deficiency Event, under the Derivative Contracts the Company will be obligated to pay to the Bank an amount equal to the lesser of (1) the amount that is sufficient to cure the Capital Deficiency Event and (2) the outstanding amount payable by the Company under the Derivative Contracts (the “Capital Deficiency Payment”) (€115,001,000). Unless the Company pays a Capital Deficiency Payment in cash, the obligation of the Company to pay the Capital Deficiency Payment to the Bank under the Derivative Contracts will be satisfied by the Bank reducing the amount outstanding under the Subordinated Deposits then held by the Company by the amount of the Capital Deficiency Payment.

The occurrence of a Capital Deficiency Event will not cause a corresponding redemption or reduction of the liquidation preference of the Company Preferred Securities.

Dividends Dividends on the Company Preferred Securities received by the Trust from the Company or the Bank pursuant to the Subordinated Guarantees, as applicable, will be passed through by the Trust as distributions on the Trust Preferred Securities upon (and subject to) their receipt by the Trust.

Dividends on the Company Preferred Securities will accrue on a noncumulative basis at a fixed rate per annum (the “Fixed Dividend Rate”) of 9.0% of the liquidation preference of €1,000 per Company Preferred Security during each Dividend Period until the Dividend Period that begins on June 27, 2011 (the “Dividend Reset Date”), and during each Dividend Period thereafter quarterly at a variable rate per annum on the liquidation preference equal to 5.4% above the Euro Inter-bank Offered Rate for three month euro deposits (“EURIBOR”) (the “Floating Dividend Rate”).

Dividends at the Fixed Dividend Rate will be payable, if declared or deemed declared by the Company’s Board of Directors (the “Board”), annually in arrear on June 27 of each year commencing June 27, 2002 to and including June 27, 2011, and thereafter quarterly in arrear at the Floating Dividend Rate on each September 27, December 27, March 27 and June 27, commencing September 27, 2011 (each a “Dividend Payment Date”). If any of the foregoing dates is not a Business Day, then dividends will be payable on the next succeeding Business Day.

Prior to the Dividend Period that begins on June 27, 2011, dividends on the Trust Preferred Securities and the Company Preferred Securities for any period shorter than a year will be calculated on the basis of the actual number of days in the relevant calendar year and the actual number of days elapsed during the relevant Dividend Period. Dividends that are payable on each Dividend Payment Date or date fixed for redemption (“Redemption Date”) will be calculated as described below from and including the immediately preceding Dividend Payment Date (or from and including June 27, 2001, with respect to the dividend payable in June 27, 2002) to but excluding the relevant Dividend Payment Date or Redemption Date, as the case may be (each such period, a “Dividend Period”).

With respect to each Dividend Period commencing with the Dividend Period that begins on June 27, 2011, dividends will be calculated on an Actual/360 Basis determined on the EURIBOR Determination Date. The EURIBOR Determination Date for a Dividend Period, commencing on or after June 27, 2011 will be the date two TARGET Settlement Days prior to the first day of such Dividend Period.

Mandatory Dividends. The Company will pay dividends on the Company Preferred Securities on each Dividend Payment Date

occurring during the one-year period beginning on and including the date on which the Bank declares a dividend on any Junior Shares, whether or not a Capital Deficiency Event occurs, a Dividend Limitation Notice has been delivered or interest is paid on any Eligible Investment (a “Mandatory Dividend Payment Date”). If, for any reason, any Mandatory Dividend is not declared on a Mandatory Dividend Payment Date, under the terms of the Company Agreement, such Mandatory Dividend will be deemed declared and authorised to be paid on such Mandatory Dividend Payment Date.

Additionally, the Company will be required to pay dividends on the Company Preferred Securities on each Dividend Payment Date occurring during the one-year period beginning on and including the date on which the Bank or a subsidiary of the Bank either: (1) pays a Discretionary Dividend (as defined below) on any class or series of Parity Securities (other than a Discretionary Dividend on the Company Preferred Securities) on the same Dividend Payment Date or (2) redeems, repurchases or otherwise acquires Parity Securities (other than in a Permitted Share Transaction (as defined below)). Subject to the foregoing, the amount of dividends to be paid on the Company Preferred Securities on each Required Dividend Payment Date (the “Required Dividend Payment Amount”) will be determined as follows: (i) if dividends or other distributions are made on Junior Shares, full dividends shall be paid; and (ii) if Discretionary Dividends or other distributions are made on Parity Securities but not Junior Shares, dividends shall be paid on a *pro rata* basis with such Parity Securities, to be determined by (a) calculating the Notional Dividend Amount with respect to each payment of a Discretionary Dividend on an Underlying Security during the one-year period ending on and including the relevant Dividend Payment Date and (b) aggregating the Notional Dividend Amounts so determined.

Discretionary Dividends. The Company may pay a Discretionary Dividend on the Company Preferred Securities or any class of Parity Securities (other than a dividend consisting only of Junior Shares) that was not required to be paid solely as a result of a dividend or other payment having been made on Junior Shares or any other class of Parity Securities. Dividends paid on a Dividend Payment Date for the Company Preferred Securities or any Parity Securities may be partially Discretionary Dividends and partially Mandatory Dividends. Discretionary Dividends will not be payable on the Company Preferred Securities on any Dividend Payment Dates: (1) if a Capital Deficiency Event has occurred or is continuing; or (2) if the Bank as holder of the Company Common Securities delivers on or before the tenth Business Day preceding such Dividend Payment Date, a notice to the Company (a “Dividend Limitation Notice”) to pay no (or less) dividends on such Dividend Payment Date in which case no dividends or less than full dividends shall become due and payable on such Dividend Payment Date as set forth in the applicable Dividend Limitation Notice. The Bank may give a Dividend Limitation Notice in its sole discretion and for any reason, irrespective of whether a Capital Deficiency Event has occurred, except that a Dividend Limitation Notice as to a Mandatory Dividend Payment Amount payable on a Mandatory Dividend Payment Date shall have no force or effect. Each Dividend Limitation Notice shall be given through the facilities of Euroclear or Clearstream. In the case of the Company Preferred Securities such Dividend Limitation Notice shall be given in writing by mail to each registered holder of the Company Preferred Securities (initially only the Trustee on behalf of the Trust), and in the case of the Trust Preferred Securities such Dividend Limitation Notice shall be given by mail and facsimile on behalf of the Trust to Euroclear and Clearstream,

and, for so long as the Trust Preferred Securities or the Company Preferred Securities are listed on the Luxembourg Stock Exchange and such Exchange so requires, shall be published in the *Luxemburg Wort* and another newspaper of daily circulation in the English language in Europe. Dividends on the Company Preferred Securities will be payable on a noncumulative basis and, consequently, if a Discretionary Dividend is not due and payable as a result of a Capital Deficiency Event or Dividend Limitation Notice such Discretionary Dividend will never become due and payable on any subsequent Dividend Payment Date. The Company will be required, however, to pay on any Dividend Payment Date the Mandatory Dividend Payment Amount regardless of whether a Capital Deficiency Event has occurred or a Dividend Limitation Notice has been delivered.

Company Common Securities . . . Any net income of the Company not required to pay Dividends or make other payments on the Company Preferred Securities or to pay expenses of the Company shall be distributed as soon as practicable to the Bank, as holder of the Company Common Securities.

As the holder of the Company Common Securities, the Bank will provide the Company with the funds necessary for payment by the Company of all the fees and expenses of the Company that are not covered by the income from the Eligible Investments. As the holder of the Trust Common Securities, the Company will pay all fees and expenses of the Trust.

The Subordinated Guarantees . . . The Bank will guarantee, on a subordinated basis, certain payments on the Company Preferred Securities (the “Company Subordinated Guarantee”) and the Trust Preferred Securities (the “Trust Subordinated Guarantee” and, collectively with the Company Subordinated Guarantee, the “Subordinated Guarantees”). The Subordinated Guarantees are intended to provide holders of the Trust Preferred Securities with rights to Dividends and Additional Amounts (as defined below) and holders of the Company Preferred Securities with rights to Dividends and Company Additional Amounts (as defined below) and, in each case, rights upon redemption or liquidation that are equivalent to those to which the holders would have been entitled if the Trust Preferred Securities or the Company Preferred Securities, as the case may be, were issued directly by the Bank.

Accordingly, to the extent of the amount not otherwise paid in accordance with the terms of the Trust Preferred Securities, the Bank will be obligated unconditionally (without duplication) under the Trust Subordinated Guarantee to pay: (1) Dividends on the Trust Preferred Securities to the extent Dividends are due and payable on the Company Preferred Securities; (2) the applicable Redemption Price (as defined below) with respect to any Trust Preferred Securities called for redemption by the Trust; (3) upon liquidation of the Trust, the liquidation preference of €1,000 per Trust Preferred Security; and (4) Additional Amounts, if any, with respect to any payment referred to in (1), (2) or (3), plus, in each case, interest accrued thereon from the date of making the claim under the Trust Subordinated Guarantee.

In addition to the extent of the amount not otherwise paid in accordance with the terms of the Company Preferred Securities, the Bank will be obligated unconditionally (without duplication) under the Company Subordinated Guarantee to pay: (1) Dividends that are due and payable on the Company Preferred Securities; (2) the applicable Redemption Price with respect to any Company Preferred Securities called for redemption by the Company; (3) upon liquidation of the Company, the liquidation preference of €1,000 per Company Preferred Security; and (4) Company Additional Amounts, if any, with respect to any payment referred

to in (1), (2) or (3), plus, in each case, interest accrued thereon from the date of making the claim under the Company Subordinated Guarantee.

Any such payment by the Bank under the Subordinated Guarantees is referred to herein as a “Subordinated Guarantee Payment.”

Notwithstanding the restrictions on the declaration and payment of Dividends by the Company, the Bank will be permitted to make payments to the Trust, as holder of the Company Preferred Securities, or to holders of the Trust Preferred Securities, in each case under the Subordinated Guarantees or otherwise in its discretion; *provided, that*, the Bank will be prohibited from making any Subordinated Guarantee Payment if a Capital Deficiency Event has occurred or would occur because of such payment, *provided further, that*, the Bank will be required to make Subordinated Guarantee Payments, without duplication, in case any dividends are due and payable by the Company on the Company Preferred Securities on any Mandatory Dividend Payment Date.

Subject to applicable law, the Bank’s obligations under the Subordinated Guarantees constitute unsecured obligations of the Bank and will rank subordinate and junior to all indebtedness of the Bank (other than any instrument or contractual right expressed to rank *pari passu* with the Subordinated Guarantees), and senior to all other share capital of the Bank, including its other preferred shares, ordinary shares and savings shares.

Ranking

The Trust Preferred Securities and the Trust Common Securities will rank *pari passu* with each other, except upon and during the continuance of an event of default under the Subordinated Deposit or the Subordinated Guarantees, in which the case holders of the Trust Preferred Securities will have a preference over holders of the Trust Common Securities as to Dividends and payments upon redemption and liquidation. The Trust Preferred Securities will rank *pari passu* among themselves.

The Company Preferred Securities will rank senior to the Company Common Securities with respect to Mandatory Dividends and distributions upon redemption, and junior to the Company Common Securities with respect to distributions on liquidation of the Company. The Company Preferred Securities will rank *pari passu* among themselves.

Payment of Additional Amounts .

All payments in respect of the Trust Preferred Securities made by or on behalf of the Trust will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature, imposed or levied by or on behalf of the Republic of Italy, the United States or any jurisdiction of residence of an Eligible Borrower, an issuer of Eligible Investments other than an Eligible Borrower, or a relevant Paying Agent, is located (each, a “Relevant Jurisdiction”) or any authority therein or thereof having power to tax (collectively, “Relevant Tax”) payable by or on behalf of the Trust, unless the withholding or deduction of such Relevant Tax is required by law. In that event, the Trust will pay such additional amounts included in the distributions otherwise then due and payable (“Additional Amounts”) as may be necessary in order that the net amounts received by the holders or beneficial owners of the Trust Preferred Securities after such withholding or deduction, will equal the amount which would have been received in respect of the Trust Preferred Securities in the absence of such withholding or deduction, except that no such Additional Amounts will be payable to a holder or beneficial owner of Trust Preferred Securities with respect to any Trust Preferred Securities or Company Preferred Securities to the extent that such Relevant Tax

is imposed or levied by virtue of the holder (or the beneficial owner of such Trust Preferred Securities or Company Preferred Securities, other than the Trust) (1) having some connection with the Relevant Jurisdiction, other than being a holder (or beneficial owner) of such Trust Preferred Securities or (2) not having made a declaration of non-residence in, or other lack of connection with, the Relevant Jurisdiction or any similar claim for exemption, if the Bank or its agent has provided the beneficial owner of such Trust Preferred Securities or its nominee with at least 60 days' prior written notice of an opportunity to make such a declaration or claim.

The Company will pay such additional amounts ("Company Additional Amounts") to each holder of the Company Preferred Securities as may be necessary so that every payment in respect of the Trust Preferred Securities, after withholding for any Relevant Tax payable by or on behalf of the Company, will not be less than the amount otherwise required to be paid, subject to certain exceptions described herein.

Under the Subordinated Guarantees, the Bank will pay such additional amounts ("Guarantor Additional Amounts") as may be necessary so that every payment thereunder, after withholding for any Relevant Tax, payable by or on behalf of the Bank, will not be less than the amount otherwise required to be paid, subject to certain exceptions described herein.

Under the Subordinated Deposits, the related Eligible Borrower will pay such additional amounts ("Subordinated Deposit Additional Amounts") as may be necessary so that every payment thereunder, after withholding for any Relevant Tax payable by or on behalf of the related Eligible Borrower, will not be less than the amount otherwise required to be paid, subject to certain exceptions described herein.

Redemption and Repurchases . . .

The Company Preferred Securities are not redeemable at the option of the holders and may be redeemed by the Company at its option, in whole or in part, at the Regular Redemption Price (as defined below) on any Dividend Payment Date occurring on or after June 27, 2011 (a "Regular Redemption Date"), subject to the receipt of prior approval, if then required, of the Bank of Italy. Upon the occurrence of a Company Special Event (other than a Change in Law Tax Event with respect to the Company), the Company Preferred Securities may be redeemed by the Company, at its option, in whole but not in part, at the Special Redemption Price (as defined below) on any Dividend Payment Date if such redemption occurs prior to June 27, 2011 (the "Special Redemption Date" and, together with a Regular Redemption Date, a "Redemption Date"), in each case, with the prior approval, if then required, of the Bank of Italy. Upon the occurrence of a Change in Law Tax Event with respect to the Company, the Company Preferred Securities may be redeemed by the Company, at its option, in whole but not in part, at the Regular Redemption Price on any Dividend Payment Date, with the prior approval, if then required, of the Bank of Italy.

If the Company redeems the Company Preferred Securities, the Trust must redeem a number of Trust Preferred Securities having an aggregate liquidation preference equal to the aggregate liquidation preference of the Company Preferred Securities so redeemed at the Regular Redemption Price or the Special Redemption Price, as the case may be, per Trust Preferred Security. In addition, following any liquidation of the Trust as a result of the occurrence of a Trust Special Event (as defined below), holders of the Trust Preferred Securities will receive a corresponding number of Company Preferred Securities with the equivalent aggregate liquidation preference.

So long as any Company Preferred Securities are outstanding, neither the Bank nor any of its affiliates will be entitled to redeem, repurchase or otherwise acquire, or set apart funds for the redemption, repurchase or other acquisition of, any Parity Securities or Junior Shares, through a sinking fund or otherwise (other than a Permitted Shares Transaction), unless and until (A) full Dividends on all Company Preferred Securities for the prior financial year (or such lesser period during which the Company Preferred Securities have been outstanding) and any Dividend Periods that have occurred during the current financial year have been paid or a sum sufficient for payment has been paid over to the paying agent for payment of such Dividends and (B) the Company has declared Dividends on the Company Preferred Securities in full at the Dividend Rate for the then current Dividend Period and sufficient funds have been paid to the paying agent for the payment of such Dividends. It is an obligation of the Bank to ensure that the Subsidiaries observe the foregoing limitations.

Liquidation Preference

Trust Preferred Securities; liquidation preference of €1,000 per Trust Preferred Security.

Company Preferred Securities; liquidation preference of €1,000 per Company Preferred Security.

The Trust will only be dissolved, liquidated, wound-up or terminated in the limited circumstances described under “Description of the Trust Securities—Liquidation Distribution Upon Dissolution.” In the event of any such voluntary or involuntary dissolution, liquidation, winding-up or termination of the Trust, holders of the Trust Preferred Securities will be entitled to receive a corresponding number of the Company Preferred Securities with an equivalent aggregate liquidation preference.

So long as the Company Preferred Securities are outstanding, the Company will only be liquidated, dissolved or wound up upon the liquidation, dissolution or winding-up of the Bank and with the prior approval, if then required, of the Bank of Italy. In the event of any such voluntary or involuntary dissolution, liquidation or winding-up of the Company, holders of the Company Preferred Securities will, subject to certain limitations, be entitled to receive out of assets of the Company available for distribution to security holders after satisfaction of liabilities of creditors in accordance with applicable law and distribution of the Subordinated Deposits and Eligible Investments to the holders of the Company Common Securities, the liquidation preference of €1,000 per Company Preferred Security, plus declared or deemed declared and unpaid Dividends thereon, if any, to the date of such liquidation, without any interest.

So long as any Company Preferred Securities are outstanding, if the Bank is dissolved, liquidated or wound up, the Company must be dissolved, liquidated or wound up. So long as any Trust Preferred Securities are outstanding, if the Bank or the Company is dissolved, liquidated or wound up, the Trust must be dissolved, liquidated or wound up.

Under the terms of the Amended and Restated Limited Liability Company Agreement (the “Company Agreement”), and to the fullest extent permitted by law, the Company shall not be dissolved until all claims under the Company Subordinated Guarantee shall have been paid to the fullest extent pursuant to the terms thereof.

Regular Independent Director . .

The Company Agreement will provide that, for as long as any Company Preferred Securities are outstanding, there will at all times be a member of the Board that is not an employee, non-independent director or affiliate of the Bank or any of its affiliates and who shall act, to the fullest extent permitted by law, exclusively

on behalf of the holders of the Company Preferred Securities (the “Regular Independent Director”).

To the fullest extent permitted by law, the Regular Independent Director will at all times be obligated to act in the best interests of the holders of the Company Preferred Securities, a majority in liquidation preference of which will, so long as a default by the Bank under either of the Subordinated Guarantees or by the Company under the Company Preferred Securities is continuing, be entitled to replace the Regular Independent Director in such majority’s sole and absolute discretion.

So long as any Company Preferred Securities are outstanding, certain actions (the “Designated Actions”) by the Company must be approved by the Regular Independent Director as well as by a majority of the entire Board. The Designated Actions include (1) the payment of Dividends or the making of distributions on the Company Common Securities other than in accordance with the Company Agreement, (2) the conversion of the Company into another type of entity or the consolidation or merger of the Company into any other entity, the consolidation or merger of any other entity with or into the Company or the sale of all or substantially all of the assets of the Company other than in accordance with the Company Agreement, (3) to the fullest extent permitted by law, any dissolution, liquidation or winding-up of the Company that is not concurrent with the dissolution, liquidation or winding-up of the Bank, (4) any amendment, modification, renewal or replacement of the Company Preferred Securities, the Company Subordinated Guarantee, the Subordinated Deposits or the Derivative Contracts (or any other security, contract obligation, agreement or instrument that is an asset of the Company) which adversely affects the powers, preferences or special rights of the Company Preferred Securities in any material respect, (5) the approval of the direct or indirect sale, transfer or other disposition by the Bank or the Company of the Trust Common Securities or the Company Common Securities, as applicable, other than to a branch of the Bank or a subsidiary of the Bank, that is deemed to be a “company controlled by the parent company” within the meaning of Rule 3a-5 of the 1940 Act, (6) any other action by the Company or the Bank that could reasonably be expected to adversely affect the interests of the holders of the Company Preferred Securities in any material respect.

The Regular Independent Director, acting alone and without the vote or consent of the other members of the Board (other than any Special Independent Director) will be entitled to take any and all such actions on behalf of the Company in respect of the Subordinated Deposits, the Company Subordinated Guarantee, the Derivative Contracts or any other right or remedy or course of action available to the Company against the Bank or any other party; *provided, however, that*, unless required by law to do so, the Regular Independent Director shall not take any action if otherwise directed by the Property Trustee as the holder of the Company Preferred Securities.

Voting Rights

Except as otherwise expressly provided, all voting rights shall vest in the Company Common Securities and the Trust Common Securities. Holders of the Trust Preferred Securities will not have any voting rights, except that so long as a default by the Bank under either of the Subordinated Guarantees or by the Company under the Company Preferred Securities is continuing, the holders of a majority of the outstanding Trust Preferred Securities will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Property Trustee or to direct the exercise of any trust or power conferred upon the Property Trustee under the Amended and Restated Trust

Agreement of the Trust (the “Trust Agreement”), including the right to direct the Property Trustee, as holder of the Company Preferred Securities, to pursue any remedy available to such holders against the Bank under the Company Subordinated Guarantee.

The Company Preferred Securities will also be non-voting, except that holders of the Company Preferred Securities (and consequently, holders of the Trust Preferred Securities) are entitled to elect one additional member to the Board that is not an employee, non-independent director or affiliate of the Bank or any of its affiliates (a “Special Independent Director” and together with the Regular Independent Director, the “Independent Directors”) upon the occurrence of a Capital Deficiency Event or if Mandatory Dividends and any Company Additional Amounts have not been paid in full by the Company or by the Bank under the Subordinated Guarantees for any Dividend Payment Date. In addition, a majority in liquidation preference of the outstanding Company Preferred Securities will have the right to replace the Special Independent Director so long as such Capital Deficiency Event or non-payment is continuing.

With certain exceptions, the Subordinated Guarantees may not be modified, except with the prior approval of the holders of not less than 66⅔% of the aggregate liquidation preference of the outstanding Trust Preferred Securities or Company Preferred Securities, as the case may be (excluding any Trust Preferred Securities or Company Preferred Securities, as the case may be, held by the Bank or any of its affiliates, with certain exceptions).

Subordinated Deposits

The Company will use the proceeds from the issuance of the Company Securities to make the Initial Subordinated Deposit with the Bank in order to secure its obligations to the Bank under the Initial Derivative Contract.

Each Subordinated Deposit will constitute an unsecured obligation of the Bank that will be the most subordinated instrument of the Bank and will be junior in right of payment to all present and future senior indebtedness of the Bank.

Interest on the Initial Subordinated Deposit will accrue: (1) at a fixed rate per annum of 8.9% of the principal amount thereof during each interest period until the interest period that begins on June 27, 2011 and will be payable annually in arrear on the same dates as the Dividend Payment Dates of the Trust Preferred Securities and the Company Preferred Securities and (2) during each interest period thereafter, at a floating rate per annum of 5.3% above three-month EURIBOR of the principal amount thereof and will be payable quarterly in arrear on the same dates as the Dividend Payment Dates of the Trust Preferred Securities and the Company Preferred Securities. Interest on the Initial Subordinated Deposit shall be determined, shall accrue and shall be payable in conformity with the conventions for Dividend determination, accrual and payment under the Company Agreement.

The Initial Subordinated Deposit will mature on June 27, 2021 *provided, however*, that if the Initial Derivative Contract is renewed or replaced, the Company will, to the extent necessary, make one or more other Subordinated Deposits with one or more branches of the Bank (together with the Bank, the “Eligible Borrowers”) from the proceeds of the Subordinated Deposits then outstanding in connection with its obligations under such renewed or replaced Derivative Contract, subject to the matters described below.

The Initial Subordinated Deposit will be subject to redemption by the Bank at any time, with prior approval, if then required, of the Bank of Italy.

The Company may reinvest the proceeds from the repayment of the Initial Subordinated Deposit or any other Subordinated Deposit only if: (1) there would be no adverse tax consequences to the Bank as a consequence of such reinvestment; (2) there would be no adverse withholding tax consequences to holders of the Trust Preferred Securities or the Company Preferred Securities; (3) the Bank receives prior written confirmation from the Bank of Italy approving such reinvestment and that the Company Preferred Securities would continue to qualify as Tier 1 capital of the Bank on a consolidated and stand-alone basis; (4) neither the Trust nor the Company would be required to register as an investment company under the 1940 Act; (5) the Company would continue to be treated as a partnership and the Trust would continue to be classified as a grantor trust, in each case, for US federal income tax purposes; and (6) the bank delivers to the Regular Independent Director an officers' certificate and an opinion of counsel stating that all conditions precedent to such reinvestment have been complied with.

Services Agreement The Company and the Trust will enter into a Services Agreement with Lord Securities Corporation. Under the Services Agreement, Lord Securities Corporation will be obligated, among other things, to provide legal, accounting, tax and other general support services, to maintain compliance with all pertinent US and Italian local, state and federal laws, and to provide necessary administrative, record-keeping and secretarial services for the Company and the Trust. So long as any of the Company Securities or the Trust Securities remain outstanding the Services Agreement may not be terminated.

Governing Law The Company Agreement, including the terms of the Company Securities, and the Trust Agreement, including the terms of the Trust Securities, will be governed by the laws of the State of Delaware. The Subordinated Guarantees, the Derivative Contracts, and the Services Agreement will be governed by the laws of the State of New York. The Subordinated Deposits will be governed by the laws of Italy.

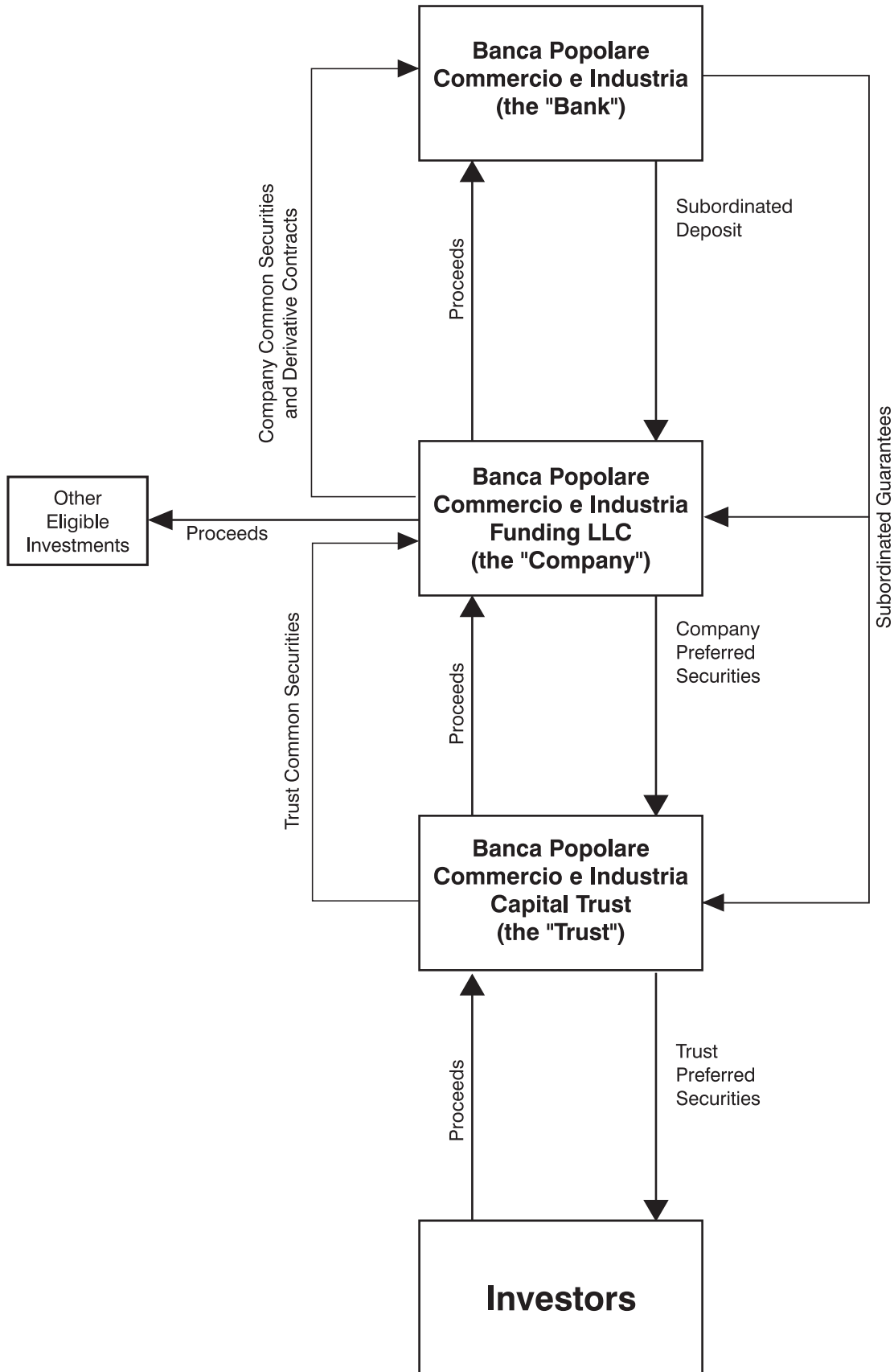
Listing Application has been made to list the Trust Preferred Securities on the Luxembourg Stock Exchange.

Form and Denomination The Trust Preferred Securities will be issued in denominations of €1,000 per Trust Preferred Security. The Trust Preferred Securities will initially be represented by a temporary global certificate (the "Temporary Global Certificate") which will be deposited on or about the Issue Date with BNP Paribas Luxembourg as common depositary for Euroclear and Clearstream Luxembourg (the "Common Depositary"). The Temporary Global Certificate will be exchanged, not earlier than 40 days after the Issue Date (the "Exchange Date"), for beneficial interests in a registered permanent global certificate (the "Permanent Global Certificate" and, together with the Temporary Global Certificate, the "Global Securities"). Under certain limited circumstances described under "Description of the Trust Securities—Form, Denomination and Transfer," the Permanent Global Certificate may be exchanged for definitive Trust Preferred Securities. In each case, upon certification of non-US beneficial ownership in the manner required by applicable United States Treasury Department regulations. No payment will be made in respect of any beneficial interest in the Temporary Global Security after the Exchange Date. Beneficial interests in any Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream Luxembourg and their respective participants. See "Description of the Trust Securities—Form, Denomination and Transfer."

Certain Covenants of the Bank . .	The Bank will agree, <i>inter alia</i> , that, for so long as any of the Trust Preferred Securities or the Company Preferred Securities are outstanding, it will procure that each of its subsidiaries and affiliates observe the restrictions imposed on it by virtue of the Trust Agreement and/or the Company Agreement. Each of the Bank and the Company will agree, <i>inter alia</i> , that, for so long as any of the Trust Preferred Securities or the Company Preferred Securities are outstanding: (1) it will not issue any preferred securities or preferred or preference shares or similar instruments qualifying as Tier 1 capital of the Bank ranking senior to its obligations under the Subordinated Guarantees; (2) it will cause the Company Common Securities and the Trust Common Securities to be held by the Bank, a branch of the Bank or, with the prior approval of the Bank of Italy, if then required, by one or more subsidiaries of the Bank each of which is deemed to be a “company controlled by the parent company” within the meaning of Rule 3a-5 of the 1940 Act; (3) it will not permit, or take any action to cause, the Trust to issue securities other than the Trust Securities; (4) it will not permit, or take any action to cause, the liquidation, dissolution or winding-up of the Company or the Trust (other than in the case of a Trust Special Event), unless the Bank (or in the case of the Trust, the Company or the Bank) is itself in liquidation and, if then required, the approval of the Bank of Italy for such action has been received and all claims under the Subordinated Guarantees shall have been paid in full; (5) it will not assign its obligations under the Subordinated Guarantees except in the case of the merger, demerger (“ <i>scissione</i> ”) under Italian law, or consolidation of the Bank or the sale of substantially all of the Bank’s assets where the Bank is not the surviving entity; (6) if the Bank or the Company is in liquidation other than as contemplated by clause (5), it will cause the Trust to liquidate; (7) it will cause the Trust to irrevocably assign its rights under the Company Subordinated Guarantee only to the Property Trustee; and (8) it will not cause the Company to incur indebtedness for borrowed money or take any action that could reasonably be expected to cause a Company Special Event to occur.
Use of Proceeds	All of the proceeds from the sale of the Trust Securities will be invested by the Trust in the Company Preferred Securities. The Company will use the proceeds from the sale of the Company Securities and the majority of the fee payable by the Bank under the Initial Derivative Contract to invest in Eligible Investments, including the Initial Subordinated Deposit. The Bank intends to use the proceeds from this offering, in the framework of its capital reinforcement program, to partially finance its proposed acquisition of a 75% interest in Carime.
US Transfer Restrictions	The Trust Preferred Securities have not been and will not be registered under the Securities Act and may not at any time be offered, sold or otherwise transferred in the United States or to any US person, except as described under “Subscription and Sale.”
Ratings	Each of the Trust Preferred Securities and the Company Preferred Securities are expected to be assigned a rating of “BBB” by Standard & Poor’s Ratings Group and “BBB” by Fitch Ratings Ltd. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency without notice. Each rating should be evaluated independently of any other rating.
Clearing Systems and Settlement .	The Trust Preferred Securities have been accepted for clearance through the facilities of Euroclear and Clearstream Luxembourg.
Securities Identification Numbers	Common Code: 013151245 ISIN: XS0131512450

Explanatory Diagram

The following diagram outlines the relationship between the Bank, the Company, the Trust and the investors following the completion of the offering:



Structure

- The Bank establishes the Company in Delaware to issue Tier 1 capital in the form of the Company Preferred Securities and to enter into the Initial Derivative Contract with the Bank.
- The Company issues Company Common Securities to the Bank and Company Preferred Securities to the Trust.
- The Company uses the proceeds from the Company Common Securities and the Company Preferred Securities to (i) make the Subordinated Deposit with the Bank to secure its obligations to the Bank under the Initial Derivative Contract and (ii) invest in a portfolio of other Eligible Investments.
- The Trust issues the Trust Common Securities to the Company and the Trust Preferred Securities to the investors.
- The Bank enters into Subordinated Guarantees with respect to dividends, redemption and liquidation payments on the Company Preferred Securities and the Trust Securities.

Regulatory

- The Bank intends to treat Company Preferred Securities as Tier 1 capital for the Bank on a consolidated and on a stand-alone basis under relevant Italian regulatory capital guidelines.

Summary Financial Information and Statistical Data of the Group

The summary financial information and statistical data set forth below should be read in conjunction with the Bank's Consolidated Financial Statements (and the notes hereto), the Bank's Interim Consolidated Financial Statements (and the notes thereto), the Pro Forma Financial Statements and the Equity Offering Memorandum each of which is incorporated herein by reference, as well as the section of this offering memorandum entitled "Operating and Financial Review and Prospects of the Group".

The summary financial information and statistical data set forth below at and for the years ended December 31, 1998, 1999 and 2000 and for the three month period ended March 31, 2000 and as at and for the three month period ended March 31, 2001, unless indicated otherwise, has been derived from the Bank's Consolidated Financial Statements and the Bank's Interim Consolidated Financial Statements which are both incorporated herein by reference.

The Bank's Consolidated Financial Statements refer to the audited consolidated financial statements of the Group as at and for the years ended December 31, 1998, 1999 and 2000. The Bank's Interim Consolidated Financial Statements refer to the unaudited interim consolidated financial statements of the Group for the three month period ended March 31, 2000 and as at and for the three month period ended March 31, 2001.

The Pro Forma Financial Statements refer to the unaudited financial statements of the Group as if our proposed acquisition of a 75% interest in Carime had occurred as of January 1, 2000 for the pro forma income statement for the year ended December 31, 2000 and as if the proposed acquisition had occurred as at January 1, 2001 for the pro forma income statement and balance sheet as at and for the three months ended March 31, 2001. The Pro Forma Financial statements are incorporated herein by reference.

Summary Financial Information and Statistical Data of the Group

	Year ended December 31,				Year ended December 31,	Three months ended March 31,			Three months ended March 31,
	1998	1999	2000	2000 ⁽¹⁾	2000	2000	2001	2001 ⁽¹⁾	2001 ⁽²⁾
	(Lit. in billions)			(Euro in millions)	Unaudited Pro Forma (Lit. in billions)	(Unaudited Lit. in billions)	(Unaudited Lit. in billions)	(Unaudited Euro in millions)	Unaudited Pro Forma (Lit. in billions)
Income Statement Data:									
Net interest income	384	370	481	248	1,014	107	131	67	269
Non-interest income	352	370	443	229	733	173	84	44	121
Total income	736	740	924	477	1,746	280	215	111	390
Non-interest expense	(455)	(522)	(667)	(345)	(1,530)	(146)	(175)	(90)	(381)
Total net interest and net non interest income	281	218	257	132	217	134	40	21	9
Depreciation and amortization	(50)	(67)	(88)	(45)	(285)	(17)	(22)	(11)	(70)
Adjustments to loans and other provisions for credit risks	(46)	(59)	(82)	(43)	(91)	(13)	(15)	(8)	(24)
Provision for risks and contingencies	(11)	(5)	(8)	(4)	(17)	(1)	(3)	(1)	(10)
Net adjustments to investments	(1)	(1)	(0)	(0)	(1)	—	—	—	(0)
Other income (expenses), net	5	22	24	12	41	2	2	1	17
Income before income taxes for the period and minority interests	228	175	190	98	149	122	24	12	(8)
Income taxes	(113)	(87)	(118)	(61)	(128)	(59)	(19)	(10)	1
Net income before minority interests	60	67	53	26	1	64	5	2	(7)
Minority interests	(2)	(3)	22	12	11	(3)	4	2	(9)
Other provisions and appropriations, net	(55)	(21)	(20)	(10)	(20)	—	—	—	—
Net income for the period	58	64	75	38	12	61	9	4	(16)

(1) Translated into Euro, solely for the convenience of the reader, at the fixed conversion rate established in connection with the implementation of the third stage of EMU of Lit. 1,936.27 = Euro 1.00.

(2) The Pro Forma Consolidated Financial Statements present the financial information provided in such financial statements as if our proposed acquisition of a 75% interest in Carime had occurred as of January 1, 2000 for the pro forma income statement for the year ended December 31, 2000 and as if the proposed acquisition had occurred as at January 1, 2001 for the pro forma income statement for the three months ended March 31, 2001.

Summary Financial Information and Statistical Data of the Group

	At December 31,				At March 31,		
	1998	1999	2000	2000 ⁽¹⁾	2001 ⁽¹⁾	2001	2001 ⁽²⁾
	(Lit. in billions)			(Euro in millions)	(Euro in millions)	(Lit. in billions)	Pro Forma Consolidated (Unaudited Lit. in billions)
Balance Sheet Data:							
<i>Assets</i>							
Cash and deposits with central banks and post offices	58	93	127	65	63	123	263
Loans to customers	7,734	9,625	11,874	6,132	6,084	11,780	17,688
Loans to banks	2,182	3,164	2,498	1,291	1,518	2,939	12,628
Total loans	9,916	12,789	14,372	7,423	7,602	14,719	30,316
Trading and investment securities	2,614	3,385	3,318	1,714	1,756	3,401	4,543
Equity investments	179	140	234	121	335	648	244
Intangible assets, at amortized cost	138	229	268	138	139	268	1,749
Fixed assets, at amortized cost	266	275	281	145	144	279	685
Other assets	610	791	884	457	551	1,066	1,999
Total assets	13,781	17,702	19,484	10,063	10,590	20,504	39,799
<i>Liabilities and shareholders' equity</i>							
Deposits from customers	7,026	8,684	11,178	5,773	5,373	10,404	18,673
Deposits from banks	2,614	3,829	2,533	1,309	2,268	4,391	5,770
Securities issued	2,049	2,602	2,795	1,443	1,438	2,784	8,714
Other liabilities	743	815	972	502	473	916	2,494
Subordinated debt	190	356	247	128	127	246	752
Total liabilities	12,785	16,457	17,997	9,294	9,817	19,009	37,328
Minority interests	68	71	168	87	84	163	595
Shareholders' equity	996	1,246	1,488	768	772	1,496	2,471
Total liabilities and shareholders' equity	13,781	17,702	19,484	10,063	10,590	20,504	39,799
Selected Off-Balance Sheet Data:							
Assets under management	9,086	11,232	12,429	6,419	6,383	12,360	19,437
Assets under custody	11,363	13,515	15,652	8,069	8,720	16,884	20,547

- (1) Translated into Euro, solely for the convenience of the reader, at the fixed conversion rate established in connection with the implementation of the third stage of EMU of Lit. 1,936.27 = Euro 1.00.
- (2) The Pro Forma Consolidated Financial Statements present the financial information provided in such financial statements as if our proposed acquisition of a 75% interest in Carime had occurred as at January 1, 2001 for the pro forma balance sheet as at March 31, 2001.

Summary Financial Information and Statistical Data of the Group

	Year ended December 31,			
	1998	1999	2000	2000 ⁽¹⁾
	(Lit. in billions, except percentages)			(Euro in millions, except percentages)
Financial Ratios:				
Net interest income	384	370	481	248
Gross interest income to average interest earning assets ⁽²⁾	7.8%	5.4%	6.2%	6.2%
Gross interest expenses to average interest bearing liabilities ⁽³⁾	4.8%	2.9%	3.5%	3.5%
Non-interest income to total income (interest income and non-interest income)	47.8%	50.0%	47.9%	47.9%
Cost/income ratio	61.6%	70.4%	71.6%	71.6%
Capital Adequacy:				
Tier 1	701	867	1,149	593
Tier 2	311	482	364	188
Shareholders' equity to total assets (year-end)	7.2%	7.0%	7.6%	7.6%
Asset Quality:				
Non-performing loans (gross)	191	200	187	97
Reserve for doubtful loan losses	84	93	81	42
Non-performing loans (net)	106	107	106	55
Troubled and restructured loans (gross)	72	72	64	33
Reserve for troubled and restructured loan losses	14	6	7	4
Troubled and restructured loans (net)	58	66	57	29
Ratios:				
Reserve for loan losses on non-performing loans as a percentage of gross non-performing loans	43.9%	46.5%	43.3%	43.3%
Reserve for loan losses on troubled and restructured loans as a percentage of gross troubled and restructured loans	19.4%	8.3%	10.9%	10.9%
Reserve for loan losses on non-performing, troubled and restructured loans as a percentage of gross non-performing, troubled and restructured loans	37.3%	36.4%	35.1%	35.1%
Non-performing loans (gross) as a percentage of loans and advances to customers	2.4%	2.0%	1.6%	1.6%
Non-performing loans (net) as a percentage of loans and advances to customers	1.4%	1.1%	0.9%	0.9%
Non-performing, troubled and restructured loans (gross) as a percentage of loans and advances to customers	3.3%	2.8%	2.1%	2.1%
Non-performing, troubled and restructured loans (net) as a percentage of loans and advances to customers	2.1%	1.8%	1.4%	1.4%

(1) Translated into Euro, solely for the convenience of the reader, at the fixed conversion rate established in connection with the implementation of the third stage of EMU of Lit. 1,936.27 = Euro 1.00.

(2) "Average interest earning assets" relate only to the Bank and BPLV, and not to the Group as a whole.

(3) "Average interest bearing liabilities" relate only to the Bank and BPLV, and not to the Group as a whole.

Summary Financial Information and Statistical Data of Carime

The summary financial information and statistical data set forth below should be read in conjunction with Carime's Financial Statements (and the notes thereto), Carime's Interim Financial Statements (and the notes thereto) and the Equity Offering Memorandum each of which is incorporated herein by reference, as well as the section of this offering memorandum entitled "Operating and Financial Review and Prospects of Carime".

The summary financial information and statistical data set forth below at and for the years ended December 31, 1998, 1999 and 2000, and for the three month period ended March 31, 2000 and as at and for the three month period ended March 31, 2001 unless indicated otherwise, has been derived from Carime's Financial Statements and Carime's Interim Financial Statements which are both incorporated herein by reference.

Carime's Financial Statements refer to the audited financial statements of Carime as at and for the years ended December 31, 1998, 1999 and 2000. Carime's Interim Financial Statements refer to the unaudited interim financial statements of Carime for the three month period ended March 31, 2000 and as at and for the three month period ended March 31, 2001. Carime had majority holdings in certain subsidiaries for the years ended December 31, 1998 and 1999, but their holdings were not consolidated into Carime's financial statements for those years as those subsidiaries were consolidated into the financial statements of Banca Intesa S.p.A. ("Banca Intesa") for those years.

	Year ended December 31,				Three months ended March 31,		
	1998 (Lit. in billions)	1999	2000	2000 (Euro in millions)	2000 (Unaudited Lit. in billions)	2001	2001 (Euro in millions)
Income Statement Data:							
Net interest income	653	587	592	306	139	153	79
Non-interest income	365	241	320	165	61	65	34
Total income	1,018	828	912	471	200	218	113
Non-interest expense	(817)	(771)	(796)	(411)	(188)	(186)	(96)
Total net interest and net non interest income	201	57	116	60	12	32	17
Depreciation and amortization	(112)	(111)	(118)	(61)	(28)	(27)	(14)
Adjustments to loans and other provisions for credit risks	(63)	(0.5)	(8)	(4)	0	(9)	(5)
Provision for risks and contingencies . .	(26)	—	(9)	(5)	0	(7)	(4)
Revaluation of equity investments	—	—	—	—	—	—	—
Net adjustments to investments	(26)	(27)	(1)	(0.4)	0	0	0
Other income (expenses), net	(7)	28	17	9	1	61	32
Income before income taxes for the year and minority interests	79	57	115	60	12	78	40
Income taxes for the period	(53)	(28)	(75)	(39)	(11)	(25)	(13)
Net income before minority interests . .	26	22	40	21	1	53	27
Minority interests	—	—	—	—	—	—	—
Other provisions and appropriations, net	—	(7)	—	—	—	—	—
Net income for the period	26	22	40	21	1	53	27

Summary Financial Information and Statistical Data of Carime

	At December 31,				At March 31,	
	1998	1999	2000	2000	2001	2001
	(Lit. in billions)			(Euro in millions)	(Euro in millions)	(Unaudited Lit. in billions)
Balance Sheet Data:						
<i>Assets</i>						
Cash and deposits with central banks and post offices	140	139	227	117	73	141
Loans to customers	6,691	6,834	6,304	3,256	3,051	5,908
Loans to banks	3,918	6,236	9,953	5,140	5,004	9,690
Total loans	10,609	13,070	16,257	8,396	8,055	15,598
Trading and investment securities	7,795	6,961	1,179	609	602	1,165
Equity investments	72	52	46	24	23	45
Fixed assets, at amortized cost	433	435	417	215	210	406
Intangible assets, at amortized cost	669	595	520	268	253	491
Other assets	1,550	1,398	1,249	645	562	1,087
Total assets	21,268	22,649	19,894	10,274	9,778	18,933
<i>Liabilities and shareholders' equity</i>						
Deposits from customers	9,001	9,722	9,260	4,782	4,271	8,270
Deposits from banks	1,318	2,773	791	409	606	1,173
Securities issued	6,645	6,130	5,879	3,036	2,957	5,725
Other liabilities	2,493	2,113	1,862	962	830	1,607
Subordinated debt	—	126	205	106	106	205
Total liabilities	19,660	21,012	18,221	9,411	8,887	17,207
Minority interests	—	—	—	—	—	—
Shareholders' equity	1,608	1,637	1,673	863	891	1,726
Total liabilities and shareholders' equity .	21,268	22,649	19,894	10,274	9,778	18,933
Selected Off-Balance Sheet Data:						
Assets under management	5,639	6,663	7,117	3,676	3,655	7,077
Assets under custody	3,413	3,153	3,635	1,877	1,892	3,663

Summary Financial Information and Statistical Data of Carime

	Year ended December 31,			
	1998	1999	2000	2000 ⁽¹⁾
	(Lit. in billions, except percentages)	(Lit. in billions, except percentages)	(Lit. in billions, except percentages)	(Euro in millions, except percentages)
Financial Ratios:				
Net interest margin	653	587	592	306
Gross interest income to average interest earning assets	7.2%	5.4%	5.6%	5.6%
Gross interest expenses to average interest bearing liabilities	3.8%	2.3%	2.4%	2.4%
Non-interest income to total income (interest income and non-interest income)	35.9%	29.1%	35.1%	35.1%
Cost/income ratio	80.3%	93.1%	87.1%	87.1%
Capital Adequacy:				
Tier 1	942	1,042	1,130	584
Tier 2	0	126	205	106
Shareholders' equity to total assets (year-end)	7.6%	7.2%	8.4%	8.4%
Asset Quality:				
Non-performing (gross)	196	91	49	25
Reserve for doubtful loan losses	104	58	27	14
Non-performing loans (net)	92	33	22	11
Troubled and restructured loans (gross)	527	388	321	166
Reserve for troubled and restructured loan losses	160	120	97	50
Troubled and restructured loans (net)	367	268	224	116
Ratios:				
Reserve for loan losses on troubled and restructured loans as a percentage of gross troubled and restructured loans	30.4%	30.9%	30.2%	30.2%
Reserve for loan losses on non-performing, troubled and restructured loans as a percentage of gross non-performing, troubled and restructured loans	36.5%	37.2%	33.5%	33.5%
Non-performing loans (gross) as a percentage of loans and advances to customers	2.9%	1.3%	0.8%	0.8%
Non-performing loans (net) as a percentage of loans and advances to customers	1.4%	0.5%	0.3%	0.3%
Non-performing, troubled and restructured loans (gross) as a percentage of loans and advances to customers	10.8%	7.0%	5.9%	5.9%
Non-performing, troubled and restructured loans (net) as a percentage of loans and advances to customers	6.9%	4.4%	3.9%	3.9%

(1) Translated into Euro, solely for the convenience of the reader, at the fixed conversion rate established in connection with the implementation of the third stage of EMU of Lit. 1,936.27 = Euro 1.00.

INVESTMENT CONSIDERATIONS

Prospective investors should carefully consider the following investment considerations with the other information contained in this offering memorandum before purchasing Trust Preferred Securities. Investors should also consider the investment considerations set forth in the Equity Offering Memorandum, which has been distributed to potential investors together with this document and is incorporated herein by reference, with respect to risks associated with our Group and the proposed acquisition of Carime.

Risks Relating to the Trust Preferred Securities

The Group's Financial Condition

If the Group's financial condition were to deteriorate, the Company and the holders of the Trust Preferred Securities and the Company Preferred Securities could suffer direct and materially adverse consequences, including suspension of the payment of noncumulative Dividends on the Trust Preferred Securities and the Company Preferred Securities and, if a liquidation, dissolution or winding-up of the Bank were to occur, loss by holders of the Trust Preferred Securities and the Company Preferred Securities of all or part of their investment. See “—Rights Under the Subordinated Guarantees; Ranking of the Subordinated Guarantees,” “Description of the Trust Securities,” “Description of the Company Securities” and “Description of the Subordinated Guarantees.”

Ratings

The Trust Preferred Securities have been rated “BBB” by Standard & Poor's Rating Group and “BBB” by Fitch Rating Ltd. The Bank has been rated “A–” by Standard & Poor's Rating Group and “A–” by Fitch Rating Ltd. In determining the rating assigned to the Bank and the Trust Preferred Securities, these rating agencies have considered and will continue to review various indicators of the Group's performance, including, among other things, the Bank's profitability following the acquisition of Carime and the Bank's ability to maintain its consolidated capital ratios within certain target levels. If the Bank fails to achieve or maintain any or a combination of more than one of the indicators, including if the Bank is unable to maintain its consolidated capital ratios within certain target levels, this may result in a downgrade of the Bank's rating by either Standard & Poor's Rating Group or Fitch Rating Ltd. and a consequent downgrade in the rating of the Trust Preferred Securities.

Different Methods Used to Classify Risk Elements in Loan Portfolio; Related Considerations

The Group classifies the risk elements in its domestic loan portfolio in accordance with appropriate requirements of the Bank of Italy and Italian law. Although not as strict as the corresponding requirements in certain other countries, the Bank believes its criteria in this respect are as conservative as those adopted by most major Italian banking groups.

Rights Under the Subordinated Guarantees; Ranking of the Subordinated Guarantees

The Subordinated Guarantees are intended to provide the holders of the Company Preferred Securities and the Trust Preferred Securities, as nearly as possible, with rights to Dividends and payments upon redemption and liquidation equivalent to those to which the holders would have been entitled if the Company Preferred Securities or the Trust Preferred Securities, as the case may be, were issued directly by the Bank. Such rights are independent of the assets, income or cash flows of the Company or the Trust. The Bank's obligations under the Subordinated Guarantees constitute unsecured obligations and will rank subordinate and junior to indebtedness of the Bank (other than any instrument or contractual right expressed to rank *pari passu* with the Subordinated Guarantees) and senior to all its share capital. See “Description of the Subordinated Guarantees.”

No Obligation to Pay Dividends; Dividends Not Cumulative

The declaration (or deemed declaration) of Dividends on the Company Preferred Securities (and, accordingly, the payment of Dividends on the Trust Preferred Securities) will not be required under the Company Agreement (and, accordingly, no payment with respect to Dividends will be due under the Subordinated Guarantees) unless such Dividends are Mandatory Dividends.

Dividends on the Company Preferred Securities will not be cumulative and Dividends which are not declared (or deemed declared) for payment will not accumulate or compound from Dividend Period to Dividend Period. This means that, if Dividends are not declared (or deemed declared) in full or in part on any Dividend Payment Date on the Company Preferred Securities, holders of the Company Preferred Securities (and, consequently, holders of the Trust Securities) will not, and will have no right to, receive those Dividends or the unpaid portion of those Dividends at any time, even if

Dividends or other payments are declared (or deemed declared) or paid for any future Dividend Period.

Optional Redemption Upon the Occurrence of a Company Special Event or Trust Special Event

Redemption upon Occurrence of a Company Special Event. If a Company Special Event (other than a Change In Law Tax Event with respect to the Company) shall have occurred, then the Company Preferred Securities (and, consequently, the Trust Preferred Securities) will be redeemable at the option of the Company, with the prior approval, if then required, of the Bank of Italy, in whole but not in part, at the Special Redemption Price on any Dividend Payment Date if such redemption occurs prior to June 27, 2011. In addition, upon the occurrence of a Change In Law Tax Event with respect to the Company, the Company Preferred Securities may be redeemed by the Company, at its option, in whole but not in part, at the Regular Redemption Price on any Dividend Payment Date, with prior approval, if then required, of the Bank of Italy. See “Description of the Trust Securities—Redemption” and “Description of the Company Securities—Redemption and Repurchase of Company Preferred Securities.”

Liquidation of the Trust Upon Occurrence of a Trust Special Event. If either a Tax Event or an Investment Company Event shall have occurred, in each case, solely with respect to the Trust, then, at the option of the Regular Trustees of the Trust, the Trust may be dissolved and liquidated. Upon a liquidation of the Trust in either case, each holder of the Trust Securities shall receive as its liquidation distribution a corresponding number of the Company Preferred Securities with an equivalent aggregate liquidation preference. Upon such distribution, the Company Preferred Securities may not be eligible for listing on the Luxembourg Stock Exchange or any other stock exchange. In addition, the Company will furnish holders of the Company Preferred Securities, or their nominees, with a Schedule K-1 each year in accordance with the Code, which may result in the ineligibility of the Company Preferred Securities to clear and settle through Euroclear and Clearstream Luxembourg. As a result, the liquidity and market price of the Company Preferred Securities distributed upon the liquidation of the Trust may vary from the liquidity and market price of the Trust Preferred Securities prior to such liquidation.

If the Company Preferred Securities are distributed to holders of the Trust Securities, the Company and the Bank will agree to use their reasonable efforts to cause the listing of the Company Preferred Securities on the Luxembourg Stock Exchange. Upon any such listing, the Bank and the Company will notify holders of the Company Preferred Securities in accordance with the provisions set forth in “General Listing Information—Notices.” The Company Preferred Securities presently are not listed on the Luxembourg Stock Exchange or any other securities exchange. See “Description of the Trust Securities—Redemption.”

No Voting Rights

Holders of the Trust Preferred Securities will not have any voting rights, except as described under “Description of the Trust Securities—Voting Rights.”

The Company Preferred Securities will also be non-voting, except that, upon the occurrence of a Capital Deficiency Event or the failure of the Company to pay Mandatory Dividends and Company Additional Amounts, or of the Bank to pay amounts in respect thereof under the Company Subordinated Guarantee, for any Dividend Period, the holders of the Company Preferred Securities will have the right to elect one Special Independent Director of the Board. Any Special Independent Director of the Board so elected will vacate office if Dividend payments are paid on the Company Preferred Securities, either by the Company or by the Bank under the Company Subordinated Guarantee, on each Dividend Payment Date for 12 consecutive months.

Absence of Prior Public Market

The Trust Preferred Securities are a new issue of securities. Prior to this offering, there has been no public market for the Trust Preferred Securities. Application has been made to list the Trust Preferred Securities on the Luxembourg Stock Exchange. However, there can be no assurance that an active public market for the Trust Preferred Securities will develop. If such a market were to develop, the Bookrunner is under no obligation to maintain such a market. The liquidity and the market prices for the Trust Preferred Securities can be expected to vary with changes in market and economic conditions, the financial condition and the prospects of the Group and other factors that generally influence the market prices of securities. Such fluctuations may significantly affect liquidity and market prices for the Trust Preferred Securities.

USE OF PROCEEDS

The net proceeds of the offering (after deducting the management and underwriting commissions) are estimated to be approximately €113,850,000. All of the proceeds from the sale of the Trust Preferred Securities will be invested by the Trust in the Company Preferred Securities. The Company will use the proceeds from the sale of the Company Securities and the majority of the fee payable by the Bank under the Initial Derivative Contract to invest in Eligible Investments, including the Initial Subordinated Deposit. The Bank intends to use the proceeds from this offering, in the framework of its capital reinforcement program, to partially finance its proposed acquisition of a 75% interest in Carime.

EXCHANGE RATES AND THE EUROPEAN MONETARY UNION

The following tables show, for the periods indicated, information concerning the exchange rate between (i) the U.S. dollar and the Lira and (ii) the U.S. dollar and the Euro. These rates are provided solely for your convenience. We do not represent that Lire could have been, or that the Euro could be, converted into U.S. dollars at these rates or at any other rate.

The following table sets forth, for the periods indicated, the Noon Buying Rates for the U.S. dollar at the period's end as well as the average, high and low rates, expressed in Lire per U.S. dollar (rounded to the nearest Lira).

<u>Year ended December 31,</u>	<u>Lire per U.S. dollar⁽¹⁾</u>			
	<u>Period End</u>	<u>Average</u>	<u>High</u>	<u>Low</u>
1995	1,584	1,629	1,736	1,569
1996	1,519	1,543	1,602	1,496
1997	1,769	1,703	1,841	1,516
1998	1,654	1,736	1,828	1,592
1999	1,923	1,818	1,933	1,639
2000	2,052	2,111	2,324	1,878
2001 (through June 15)	2,244	2,149	2,298	2,021

(1) Based on the U.S. Federal Reserve Bank Noon Buying Rate for the Lira for 1995, 1996, 1997 and 1998. For 1999, 2000 and 2001, based on the Noon Buying Rate for Euro and then converted to Lire at the fixed Lire/Euro conversion rate of Euro 1.00 = Lit. 1,936.27.

Given its recent introduction, there is insufficient historical exchange rate data concerning the Euro. As a result, this section provides historical exchange rate data concerning the European Currency Unit ("ECU") as well. The ECU, the predecessor to the Euro, was a composite (or "basket") currency, consisting of specified amounts of the currencies of the EU member states. In accordance with European Council Regulation No. 1103/97, substitution of the Euro for the ECU on January 1, 1999 was at the rate of one Euro per ECU.

The following table sets forth, for the periods indicated, the Noon Buying Rates for the Euro (and for the ECU, for years prior to 1999) at each period's end as well as the average, high and low rates, expressed in U.S. dollars per Euro or ECU, as applicable.

<u>Year ended December 31,</u>	<u>U.S. dollars per Euro⁽¹⁾</u>			
	<u>Period End</u>	<u>Average</u>	<u>High</u>	<u>Low</u>
1996	1.25	1.25	1.29	1.22
1997	1.10	1.13	1.25	1.05
1998	1.17	1.12	1.23	1.07
1999	1.01	1.07	1.18	1.00
2000	0.94	0.92	1.03	0.83
2001 (through June 15)	0.86	0.90	0.94	0.84

(1) For periods prior to January 1, 1999, the data presented represent U.S. dollars per ECU, the basket currency that was replaced by the Euro on that date.

CAPITALIZATION AND CAPITAL ADEQUACY

Capitalization

The following table sets forth our consolidated capitalization at March 31, 2001 and our consolidated capitalization at March 31, 2000 as adjusted to reflect the issue of the Trust Preferred Securities, the offering on May 24, 2001 of 26,100,000 ordinary shares of nominal value Lit. 5,000 each of the Bank at an offering price of Lit. 27,108 per ordinary share (excluding any exercise of the over-allotment option) as well as the conversion of approximately Lit. 103.9 billion of 1.5% convertible bonds of the Bank due 2004 into 3,464,094 ordinary shares. This table should be read in conjunction with the Bank's Consolidated Financial Statements (and the notes thereto), the Bank's Interim Consolidated Financial Statements and the Equity Offering Memorandum, each of which is incorporated herein by reference.

	At March 31, 2001	
	Actual	Adjusted
	(Lit. in billions)	(Lit. in billions)
Subordinated debt	246	365
Total medium and long-term debt	246	365
Minority interests	163	163
Shareholders' equity:		
Share capital	320	468
Share premium	394	1,058
Reserve for general banking risks	154	154
Retained earnings and other reserves	619	619
Net income	9	9
Total shareholders' equity	1,496	2,308
Total capitalization	1,905	2,836

Other than as described in this offering memorandum, there has been no material change in the capitalization of the Bank since March 31, 2001.

Capital Adequacy

The Bank of Italy has adopted risk-based capital ratios ("Capital Ratios") pursuant to EU capital adequacy directives. Italy's current capital requirements are in many respects similar to the requirements imposed by the international framework for capital measurement and capital standards of banking institutions of the Basle Committee on Banking Regulations and Supervisory Practices. The Capital Ratios set forth core (Tier 1) and supplementary (Tier 2) capital requirements relative to a bank's assets and certain off-balance sheet items, weighted according to risks ("Risk-Weighted Assets"). See "The Italian Banking System, Supervision and Regulation—Italian Banking Regulation—Risk-Based Capital Requirements and Solvency Ratios."

In Italy, banking groups (on a consolidated basis) and independent banks (on a stand-alone basis) are currently required by the Bank of Italy to maintain a capital ratio of 8.0% of own funds (core "Tier 1" and supplementary "Tier 2" capital) to risk-weighted assets. Banks that are subsidiaries of other banks or members of a banking group are on a stand-alone basis required to maintain a capital ratio of 7.0%.

The following table sets forth our Tier 1 and Tier 2 capital levels and the relative ratios at December 31, 1998, 1999 and 2000.

	At December 31,		
	1998	1999	2000
	(Lit. in billions, except percentages)		
Tier 1 Capital:			
Share capital	241,105	289,731	320,136
Share premium	136,164	315,272	394,324
Reserves	461,872	492,343	702,463
Less: negative items	(138,414)	(230,544)	(268,189)
Tier 1 capital	700,727	866,802	1,148,734
Tier 2 Capital:			
Revaluation reserves	177,616	163,646	163,646
Subordinated debt	147,985	331,499	197,429
Other positive items	3,443	6,753	22,000
Other negative items	(17,886)	(19,985)	(19,377)
Tier 2 capital	311,158	481,913	363,698
Less: financial investments	100,052	52,719	77,176
Total Tier 1 and Tier 2 capital (“Own Funds”)	<u>911,833</u>	<u>1,295,996</u>	<u>1,435,256</u>
Capital Ratios:			
“Tier 1 Capital Ratio” (Tier 1 capital to total Risk-Weighted Assets)	7.0%	7.0%	8.0%
“Total Capital Ratio” (Own Funds to total Risk-Weighted Assets)	9.0%	10.0%	10.0%

The Bank expects that its Tier 1 Capital Ratio as at June 30, 2000 will be approximately 5.3%, reflecting the purchase of Carime, the issuance of 30,000,000 ordinary shares of the Bank in May 2001 and this offering. During the second half of 2001, the Bank intends to enter into additional transactions aimed at reducing risk weighted assets, with a view to increasing the Tier 1 capital ratio to approximately 6% by the end of the year. There can be no assurance, however, that the Bank will be able to achieve or maintain its Tier 1 Capital Ratio at these levels. Moreover, the Bank’s rating, and consequently, the rating assigned by rating agencies to the Trust Preferred Securities may be affected by, among other things, the Bank’s failure to achieve or maintain Tier 1 Capital Ratios at these levels. See “Investment Considerations—Risk Relating to the Trust Preferred Securities—Ratings.”

OPERATING AND FINANCIAL REVIEW AND PROSPECTS OF THE GROUP

You should read the following information together with the Financial Statements and the unaudited Pro Forma Consolidated Financial Statements and the sections entitled “Operating and Financial Review and Prospects of the Group” and “Operating and Financial Review and Prospects of Carime” in the Equity Offering Memorandum, which has been distributed to potential investors together with this document and incorporated herein by reference with respect to our results of operations for the three years ended December 31, 2000 and our financial condition as at December 31, 2000, 1999 and 1998.

The interest rate and yield information is based upon the average interest rates and yields for the Bank and BPLV. Together the total assets of the Bank and BPLV were approximately 92.6% of the total assets of the Group as at December 31, 2000. In addition, the combined net interest income of the Bank and BPLV was approximately 99.3% of the total for the Group for the year ended December 31, 2000.

General

The principal factors that have significantly affected the Italian banking system during the periods under consideration are:

- macroeconomic trends in the Italian economy, primarily affecting general economic growth rates, interest rates and financial markets, as well as certain structural characteristics of the Italian banking industry affecting the speed of adjustment of interest rates as they related to assets and liabilities (see “—Results of Operations for the Years Ended December 31, 2000, 1999, and 1998—Net Interest Income”);
- the continuing process of deregulation initiated by the Amato Law (Law No. 218, July 1990) and the Dini Directive (Italian Treasury Directive, November 1994) which is resulting in the consolidation of the Italian banking industry and the increase in competition within this industry;
- the recent changes in the savings and investment habits of the Italian public, which have resulted in an increase in the amount of money invested in securities; and
- the growth of alternative distribution channels for banking services, such as Internet banking.

In addition, the Italian banking industry has been affected by the significant volatility in securities markets during the past twelve months, particularly during the first three months of 2001.

Acquisitions of Interests in Banks and Other Significant Events

The Equity Offering

On May 24, 2001, the Bank completed the sale of 26,100,000 ordinary shares resulting in net proceeds to the Bank of approximately €354.4 million. The Bank intends to use the proceeds of the sale of its shares, in conjunction with the net proceeds of this offering as part of its capital reinforcement plan that was a condition of the Bank of Italy’s approval of the proposed acquisition of Carime.

The Proposed Acquisition of Carime

On November 21, 2000, we entered into the Purchase Agreement for the acquisition of 75% of the share capital of Carime from Banca Intesa, for Lit. 2,306 billion. The acquisition is subject to the implementation of a capital reinforcement plan of which this offering forms a part. The acquisition will allow us to enlarge our customer base by approximately 700,000 Carime customers and to utilize an infrastructure that, at December 31, 2000, comprised 344 branches in a network mainly situated in the Calabria, Puglia and Basilicata region in southern Italy.

Listing of ONBanca

ONBanca was originally formed in 1998 by the Bank and BPLV. On July 28, 2000, the shares of ONBanca were listed on the *Nuovo Mercato* of *Borsa Italiana* in conjunction with the increase in share capital.

As a consequence of the initial public offering and the transfer of ownership interests to ConSors International Holding, Axa Assicurazioni and the Lombardini Group, the Bank’s interest in ONBanca

decreased from 95% to 50%; BPLV's interest in ONBanca decreased from 5% to 4%. Thus, the Group still retains majority control of ONBanca.

Acquisition of 75% of the Share Capital of Lemanik Group

During August 2000, our Luxembourg subsidiary, Banque the Bank International S.A., completed the acquisition of 75% of the share capital of Lemanik Group, which operates in the private banking sector in Switzerland through Lemanik S.A., Lugano and conducts asset management in Luxembourg through Lemanik Asset Management Luxembourg S.A. Lemanik Asset Management Luxembourg S.A. manages Lemanik SICAV. Lemanik SICAV has been authorized to sell units in its investment funds in Italy, which are currently distributed by all of the Group's banks. As at December 31, 2000, Lemanik Group represented less than 5% of the total assets of our Group.

Increase in the Share Capital of the Bank

On April 24, 1999, our extraordinary shareholders' meeting resolved to increase the share capital and delegated to the Board of Directors the power to issue 4,927,214 common shares, 49,272,142 subordinated convertible bonds and 49,272,142 warrants, which were favorably received by investors. The increase in the number of ordinary shares generated proceeds of Lit. 148 billion. Total proceeds for convertible bonds and warrants amounted to Lit. 246 billion. The capital increase was also supplemented by the conversion in 1999 and 2000 of two convertible bonds into ordinary shares, which increased equity by Lit. 80 billion in 1999 and by Lit. 109 billion in 2000.

The Acquisition of 17 Branches of Banco di Napoli

In May 1999, we acquired 17 branches from Banco di Napoli situated in central-northern Italy for an aggregate amount of Lit. 101 billion (of which Lit. 93 billion is represented by goodwill). Ten branches are located in Milan, two in Rome, and one in each of Bologna, Florence, Perugia, Chianciano Terme (transferred to Perugia in 2000) and Città di Castello. The acquisition further strengthened the Group's presence in Milan and Rome.

Results of Operations for the Three Months Ended March 31, 2000 and 2001

The following table sets forth our unaudited consolidated net income and the principal components thereof for the three-month periods ended March 31, 2000 and 2001 as well as the unaudited pro forma consolidated net income of our Group, showing the effect of the proposed Carime acquisition (as if the acquisition had occurred as of January 1, 2001) for the three month period ended March 31, 2001.

	Three months ended March 31,			% Variation	Three months ended
	2000	2001	2001	2000/2001	March 31,
	(Unaudited Lit. in millions)	(Unaudited Euro in thousands)	(Unaudited Euro in thousands)	(%)	2001
					Unaudited Pro Forma (Lit. in millions)
Net interest income	107,501	130,495	67,395	21.4	269,542
Non-interest income	172,815	84,199	43,485	(51.3)	120,832
Total operating income	280,316	214,694	110,880	(23.4)	390,374
Non-interest expenses	(146,117)	(174,912)	(90,335)	19.7	(381,164)
Total net interest and net non-interest income	134,199	39,782	20,545	(70.4)	9,210
Other income (expenses), net . . .	1,786	2,070	1,069	15.9	16,881
Total provisions and adjustments for loans, risks and contingencies	(13,818)	(18,085)	(9,340)	30.9	(34,130)
Net adjustments to investments .	—	—	—	—	(226)
Minority interests	(2,721)	4,294	2,218	(257.8)	(9,073)
Income taxes	(58,818)	(19,411)	(10,025)	(67.0)	1,241
Other provisions and appropriations, net	—	—	—	—	—
Net income for the period . . .	60,628	8,650	4,467	(85.7)	(16,097)

Net Interest Income

The following table sets forth our unaudited consolidated net interest income for each of the three month periods ended March 31, 2000 and 2001 as well as the unaudited pro forma net interest income of the Group for the three month period ended March 31, 2001, showing the effect of our proposed acquisition of Carime (as if the acquisition had occurred as of January 1, 2001).

	Three months ended March 31,		% Variation 2000/2001 (%)	Three months ended March 31,
	2000	2001		2001
	(Unaudited Lit. in millions)			Unaudited Pro Forma (Lit. in millions)
Interest income	210,862	285,568	35.4	540,344
Interest expense	(103,361)	(155,073)	50.0	(270,802)
Net interest income	<u>107,501</u>	<u>130,495</u>	<u>21.4</u>	<u>269,542</u>

Interest Income. Interest income is comprised of interest on loans to banks, interest on loans to customers, interest on debt securities, other interest receivable and the positive differential on hedging transactions.

In the first three months of 2001, interest income increased by 74.7 billion as compared to the same period in 2000, an increase of 35.4%. This increase was primarily due to an increase in the volume of loans to customers, which increased to Lit. 11,780 billion as at March 31, 2001 from Lit. 9,877 billion as at March 31, 2000. The increase was also due in part to an increase in interest rates. The pro forma interest income of the Group, giving effect to our proposed acquisition of Carime, for the first quarter of 2001 was Lit. 540.3 billion.

Interest Expense. Interest expense consists of interest on deposits from banks, interest on deposits from customers (including interest on certificates of deposits, bonds and subordinated debt), negative differential on hedging transactions and other interest expense.

In the first three months of 2001, interest expense increased by 51.7 billion as compared to the same period in 2000. This increase resulted principally from an increase in the volume of non-interbank funding (deposits from customers, which increased to Lit. 10,404 billion in the first quarter of 2001 from Lit. 7,936 billion in the first quarter of 2000, and securities issued, which increased to Lit. 2,784 billion in the first quarter of 2001 from Lit. 2,673 billion in the first quarter of 2000) as well as an increase in interest rates applicable to these deposits and securities. Deposits from customers increased in part due to a substantial deposit in the first quarter of 2001 from the Bank International, which had no deposits with the Group in the first quarter of 2000. The pro forma interest expense for the Group, giving effect to our proposed acquisition of Carime, for the first three months of 2001 was Lit. 270.8 billion.

Net Interest Income. In the three month period ended March 31, 2001, net interest income was Lit. 130.5 billion, an increase of 21.4% or Lit. 23.0 billion, as compared to the three month period ended March 31, 2000. On a percentage basis, net interest income grew more slowly (21.4%) than interest income (35.4%), as interest expense grew more quickly than interest income. This was due to the reasons stated above. The pro forma net interest income of the Group, giving effect to our proposed acquisition of Carime, for the three month period ended March 31, 2001 was Lit. 269.5 billion.

Non-Interest Income

The following table sets forth our consolidated non-interest income for each of the three month periods ended March 31, 2000 and 2001 as well as the unaudited pro forma non-interest income of the Group for the three month period ended March 31, 2001, showing the effect of our proposed acquisition of Carime (as if acquisition had occurred as of January 1, 2001).

	Three months ended March 31,		% Variation 2000/2001 (%)	Three months ended March 31,
	2000 (Unaudited Lit. in millions)	2001 (Lit. in millions)		2001 Unaudited Pro Forma (Lit. in millions)
Dividends and other income	4,346	31	(99.3)	31
Commission income	115,939	87,972	(24.1)	139,149
Commission expense	(20,692)	(18,377)	(11.2)	(51,468)
Net commission income	95,247	69,595	(26.9)	87,681
Income (loss) from trading, net	53,006	(5,254)	(109.9)	(4,295)
Other operating income	20,216	19,827	(1.9)	37,415
Non-interest income	172,815	84,199	(51.3)	120,832

Non-interest income is largely driven by net commission income and net income (loss) from trading. Each of these is highly dependent on the conditions prevailing in the financial markets. As market conditions improve, the volume of transactions executed by the Group increases and so the commissions earned tend to increase. Further, the Group's trading results tend to improve with market improvement. Consistent with other banks in Italy, the Group marks down the value of its portfolio each month to reflect market decreases, but does not similarly mark up its portfolio upon market advances.

Commission Income. Commission income consists of income from collection and payment services, management and brokerage services, including collection of orders, securities trading, foreign currency trading, asset management, safe custody and administration of securities, securities placement, consulting activities and tax collection.

For the three months ended March 31, 2001, commission income was approximately Lit. 88.0 billion, a decrease of Lit. 28.0 billion or 24.1% as compared to March 31, 2000. The decrease in commission income was primarily due to the stock markets' decline in the first quarter of 2001 compared to the strong performance of stock markets in the first quarter of 2000. The amount of commissions earned on the collection of orders decreased as our customers undertook fewer securities trades during the first quarter of 2001 than during the first quarter of 2000. The pro forma commission income for the Group, giving effect to our proposed acquisition of Carime, for the first quarter of 2001 was Lit. 139.1 billion.

Commission Expenses. Commission expenses are comprised of expenses associated with commissions earned on collection and payment services, management and brokerage services and other services.

In the first three months of 2001, commission expense was Lit. 18.4 billion, a decrease of Lit. 2.3 billion, or 11.2%, as compared to the first three months of 2000. This decrease was less than the decrease in commission income because our commission income associated with management and brokerage services are greater than the commission expenses we incur in providing those services. Thus, a decline in the volume of our commission-related business results in lower decline in percentage terms in our commission expenses than in commission income. The pro forma commission expense for the Group, giving effect to our proposed acquisition of Carime, for the first quarter of 2001 was Lit. 51.5 billion.

Dividends and Other Income. Dividends and other income consist of dividends on equity investments of the Group and dividends from our nonconsolidated shareholdings. Dividends in the first three months of 2001 decreased by Lit. 4,315 million, or 99.3%, compared to the same period in 2000, primarily because many companies in which we held shares paid dividends during the first quarter of 2000 but few companies in which we held shares declared any dividends during the first quarter of

2001. Pro forma dividends and other income for the Group, giving effect to our proposed acquisition of Carime, for the first quarter of 2001 was also Lit. 31 million.

Income (loss) from Trading, Net. Net income from trading principally consists of the profits and losses on the Group's trading in securities (including government securities, other fixed-interest securities, variable rate securities, and derivative contracts on securities) and trading in currency. The net loss from trading transactions in the first three months of 2001 was Lit. 5.3 billion, a substantial decrease from the net income from trading of Lit. 53.0 billion for the same period in 2000, primarily because stock markets declined substantially during the first quarter of 2001, as contrasted with the exceptional performance of stock markets during the first quarter of 2000. The pro forma net losses from trading for the Group, giving effect to our proposed acquisition of Carime, for the first quarter of 2001 were Lit. 4.3 billion.

Other Operating Income. Other operating income consists of the recovery expenses on deposits and current accounts, other recovery expenses and rental income. Other operating income decreased in the first three months of 2001 by Lit. 389 million, or 1.9%. The pro forma other operating income for the Group, giving effect to our proposed acquisition of Carime, for the first quarter of 2001 was Lit. 37.4 billion.

Non-Interest Income. For the three months ended March 31, 2001, non-interest income was Lit. 84.2 billion, a decrease of 51.3% or Lit. 88.6 billion as compared to the three months ended March 31, 2000. The decrease was due principally to lower commission income, the net loss from trading for the first quarter of 2001 (as compared to significant net income from trading for the first quarter of 2000), and the absence of any dividends being declared by companies in which we held shares in the first quarter of 2001, while companies whose shares we held in the first quarter of 2000 had declared dividends during that period. The pro forma non-interest income was for the Group, giving effect to our proposed acquisition of Carime, for the first quarter of 2001 Lit. 120.8 billion.

Non-Interest Expenses

The following table sets forth the components of our unaudited consolidated non-interest expenses for each of the three month periods ended March 31, 2000 and 2001 as well as the components of the unaudited pro forma general and administrative expenses of the Group for the three month period ended March 31, 2001, showing the effect of our acquisition of Carime (as if the acquisition had occurred as of January 1, 2001).

	Three months ended March 31,		% Variation 2000/2001 (%)	Three months ended March 31,
	2000	2001		2001
	(Unaudited Lit. in millions)			Unaudited Pro Forma (Lit. in millions)
General and administrative expenses	128,899	152,421	18.2	311,240
Depreciation and amortization	17,146	22,454	31.0	69,599
Other operating expenses	72	37	(48.6)	325
Total non-interest expenses	146,117	174,912	19.7	381,164

General and Administrative Expenses. General and administrative expenses include staff costs, such as salary and wages, social security contributions, severance indemnity and provisions for post-retirement benefits and other administrative expenses.

General and administrative expenses increased to Lit. 152.4 billion for the first quarter of 2001 from Lit. 128.9 billion for the first quarter of 2000, an increase of Lit. 23.5 billion or 18.2%. This increase was due to higher staff costs associated with the increase in the number of employees and, to a lesser degree, increased employee benefits paid as a result of the introduction of a new national collective bargaining agreement in July 2000, and other administrative expenses associated with the continued expansion of the Group's branch network and distribution channels. The pro forma total general and administrative expenses were for the Group, giving effect to our proposed acquisition of Carime, for the first quarter of 2001 Lit. 311.2 billion.

Depreciation and Amortization. Depreciation and amortization includes the depreciation and amortization of both tangible fixed assets, such as the Group's buildings, and intangible fixed assets,

such as software owned by the Group and goodwill. Depreciation and amortization increased to Lit. 22.5 billion for the first quarter of 2001 from Lit. 17.1 billion for the first quarter of 2000, an increase of 31.0% or Lit. 5.3 billion. This increase was due to the increase in depreciable assets due to our continued internal and external growth. The pro forma depreciation and amortization for the Group, giving effect to our proposed acquisition of Carime, for the first quarter of 2001 was Lit. 69.6 billion.

Total Net Interest and Net Non-Interest Income

As a result of foregoing, total net interest and net non-interest income for the Group decreased 70.4% in the first three months of 2001 to Lit. 39.8 billion or from Lit. 134.2 billion in the same period of 2000. The pro forma total net interest and net non-interest income of the Group, giving effect to our acquisition of Carime, for the first quarter of 2001 was Lit. 9.2 billion.

Other Income (Expenses), Net

Net other income (expenses) increased by 15.9% or Lit. 284 million to Lit. 2,070 million in the first quarter of 2001 from Lit. 1,786 million in the first quarter of 2000. The pro forma net other income of the Group, giving effect to our proposed acquisition of Carime, for the first quarter of 2001 was Lit. 16.9 billion.

Total Provisions and Adjustments for Loans, Risks and Contingencies

The Group accounts for credit losses on loans by making specific provisions and charging the amount of such provisions against net income. The Group records credit losses on loans on the basis of specific analyses of non-performing loans, of analyses of the most problematic doubtful loan positions and of other standard analyses of doubtful loans and other outstanding loans. The Group's non-performing loan and doubtful loan portfolio is monitored on a quarterly basis by the Legal Department to review the prospects of recovery and the estimated losses. After these evaluations, a reserve for credit risks is established to reflect possible loan losses, if warranted. Loans appear on the financial statements net of the cumulative reserve for credit risks.

The following table presents the details of our unaudited consolidated net adjustments and provisions for credit risk for the first quarter of 2000 and 2001 as well as the unaudited pro forma net adjustments and provisions for the first quarter of 2001, showing the effect of our proposed acquisition of Carime (as if the acquisition had occurred as of January 1, 2001).

	Three months ended March 31,		% Variation 2000/2001 (%)	Three months ended March 31,
	2000	2001		2001
	(Unaudited Lit. in millions)			Unaudited Pro Forma (Lit. in millions)
Adjustments to loans and other provisions for credit risks	13,112	15,108	15.2	24,351
Provision for risks and contingencies	706	2,977	321.7	9,779
Total provisions and adjustments for loans, risks and contingencies	<u>13,818</u>	<u>18,085</u>	<u>30.9</u>	<u>34,130</u>

Total provisions and adjustments for loans, risks and contingencies increased by 30.9% or Lit. 4.3 billion in the first quarter of 2001 from the first quarter of 2000. This increase was principally the result of the approximate 20% increase of loans, which resulted in a corresponding increase in the provisions for loan losses, and the increase in "additional provisions for loan losses" (which is a portion of "adjustments to loans and other provisions for credit risks"). Italian tax law sets a maximum amount of provisions for loan losses which a bank may deduct for tax purposes. This maximum is equal to a fixed percentage of a bank's total loans. "Additional provisions for loan losses" represents the amount of such provisions in excess of the provisions that the banks in the Group are required to set aside for non-performing loans, pursuant to the requirements of the Bank of Italy, which are recorded simply as provisions for loan losses. Additional provisions for loan losses increased during the first quarter of 2001 as compared to the first quarter of 2000 because of changes in Italian tax laws in 2000 resulted in an increase in the percentage of a bank's total loans against which deductible provisions can be taken (from 0.5% of a bank's total loans to 0.6% of a bank's total loans). The pro forma total provisions and

adjustments for loans, risks and contingencies of the Group, giving effect to our proposed acquisition of Carime, for the first quarter of 2001 was Lit. 34.1 billion.

Minority Interests

Minority interests are composed of a consolidation adjustment for that portion of our consolidated subsidiaries' net profits (or losses) not owned by us. For the first three months of 2001, minority interests totaled Lit. 4.3 billion, an increase of Lit. 7.0 billion, over the same period in 2000. This resulted from approximately 47% of the net losses of ONBanca no longer being borne by the Group because the Group's holding in ONBanca decreased as a result of ONBanca's IPO on July 28, 2000. ONBanca has experienced net losses since its formation in 1998. Since our share of ONBanca for the first quarter of 2001 was only approximately 54%, the net loss of ONBanca was factored into the portion of the consolidated subsidiaries, net profits (or losses), not owned by us. It was recorded as income because it represented that portion of ONBanca's net losses which our Group was not required to charge to itself. The pro forma minority interests for the Group, giving effect to our proposed acquisition of Carime, for the first quarter of 2001 were Lit. 9.1 billion.

Income Taxes

Income taxes for the Group decreased by 67.0% to Lit. 19.4 billion from Lit. 58.8 billion in the first quarter of 2001, which translates into taxes as a percentage of income before taxes and minority interests of 81.7% and 48.1% for the first quarter of 2001 and the first quarter of 2000, respectively. The reason that the Group's tax rate for the first quarter of 2001 appears to be higher than the average tax rate of 41.0% for Italian companies is because, in Italy, taxes are calculated on, and deferred tax assets are applied to, the income before taxes of each individual company within a consolidated group, not on the consolidated income before taxes of the Group. ONBanca has had net losses since its formation in 1998, which are reflected in the consolidated income before taxes of the Group, but the Group has not yet taken advantage of any potential deferred tax assets arising from these losses. As a result, the income taxes of the Group as a percentage of income before taxes and minority interests of the Group were higher than the average Italian corporate tax rate. The 67.0% decline for the first quarter of 2001 compared to the first quarter of 2000 also reflects the drop in the Group's income before taxes and minority interests to Lit. 23.8 billion for the first quarter of 2001 from Lit. 122.2 billion for the first quarter of 2000.

The pro forma income taxes for the Group, giving effect to our proposed acquisition of Carime, for the first quarter of 2001 were Lit. 1.2 billion.

Net Income

As a result of the foregoing, the Group's net income for the three month period ended March 31, 2001 was Lit. 8.7 billion, a decrease of Lit. 52.0, or 85.7%, as compared to the first three months of 2000. On a pro forma basis, giving effect to our proposed acquisition of Carime, the Group had a net loss for the three months ended March 31, 2001 of Lit. 16.1 billion. This loss results from (i) the significant amount of goodwill generated by our proposed acquisition of Carime, and the consequent amortization of goodwill which is reflected in the pro forma income statement of the Group for the first quarter of 2001, (ii) the inclusion in the pro forma income statements for this period of an estimate of the expenses of the Global Offering and (iii) the elimination of goodwill on the sale by Carime of 19 of its branches in the first quarter of 2001.

Analysis of the Consolidated Financial Condition as at March 31, 2001 and December 31, 2000

Total Assets

At March 31, 2001, our Group had total assets of Lit. 20,504.3 billion, a 5.2% increase over total assets of Lit. 19,484.2 billion at December 31, 2000. The increase in the first quarter of 2001 was mainly due to growth of our loans to banks, equity investments and other assets. Loans to customers, trading and investment securities, intangible assets and fixed assets remain relatively unchanged as at March 31, 2001 when compared to the end of 2000. The pro forma total assets of the Group, giving effect to our proposed acquisition of Carime, at March 31, 2001, was Lit. 39,798.9 billion.

Loans to Banks. At March 31, 2001, loans to banks increased by 17.8% to Lit. 2,938.6 billion from Lit. 2,498.7 billion at the end of 2000. The pro forma loans to banks of the Group, giving effect to our proposed acquisition of Carime, at March 31, 2001, was Lit. 12,628.3 billion.

Equity Investments. In March 31, 2001, equity investments increased 176.9% to Lit. 648.3 billion from Lit. 234.1 billion at December 31, 2000. The increase in the first quarter of 2001 is due to the second payment for Carime being made during this period and accounted for as an equity investment. The pro forma equity investments of the Group, giving effect to our proposed acquisition of Carime, at March 31, 2001, was Lit. 243.7 billion.

Other Assets. At March 31, 2001, other assets were Lit. 1,066.2 billion, an 20.6% increase from Lit. 883.8 billion at December 31, 2000. The pro forma other assets of the Group, giving effect to our proposed acquisition of Carime, at March 31, 2001, was Lit. 1,999.4 billion.

Total Liabilities

At March 31, 2001, the Group's total liabilities were Lit. 19,008.7 billion, a 5.6% increase over total liabilities of Lit. 17,996.6 billion at December 31, 2000. This increase was due to the increase in deposits from banks which were partially offset by the decrease in deposits from customers. The pro forma total liabilities of the Group, giving effect to our proposed acquisition of Carime, at March 31, 2001, was Lit. 37,328.0 billion.

Deposits from Customers. These items decreased by 6.9% to Lit. 10,403.6 billion from Lit. 11,178.0 billion at December 31, 2000. The pro forma deposits from customers of the Group, giving effect to our proposed acquisition of Carime, at March 31, 2001, was Lit. 18,673.0 billion.

Deposits from Banks. Liabilities due to banks increased by 73.3% to Lit. 4,391.1 billion from Lit. 2,533.5 billion at December 31, 2000. The pro forma deposits from banks of the Group, giving effect to our proposed acquisition of Carime, at March 31, 2001, was Lit. 5,770.0 billion.

Shareholders' Equity

Shareholders' equity at March 31, 2001, was Lit. 1,495.6 billion, which was little changed from at December 31, 2000 when it was Lit. 1,487.5 billion. The pro forma shareholders' equity of the Group, giving effect to our proposed acquisition of Carime, at March 31, 2001, was Lit. 2,470.9 billion.

Liquidity and Capital Resources

The majority of our funding needs to date have been met by our deposit base consisting primarily of demand, savings and time deposits, CDs, bonds and customer repurchase agreements. Deposits represented 68.3% of total liabilities and shareholders' funds at December 31, 2000 and 72.3% at March 31, 2001. At December 31, 2000, demand deposits (due both to banks and customers) were Lit. 10,439.2 billion and Lit. 8,228.6 billion at December 31, 1999. The difference between on-demand liabilities (deposits from customers and from banks) and on-demand assets (loans to customers and to banks) was Lit. 4,552.2 billion on December 31, 2000. The difference between short term (i.e., payable or due within 12 months) liabilities (deposits from customers and from banks) and assets (loans to customers and to banks) was Lit. 2,424.8 billion on December 31, 2000.

We supplement these funding sources with short- and long-term borrowings from domestic and international banking institutions. The Group had a negative net interbank funding position at December 31, 2000 of Lit. 34.8 billion. The Group recorded a negative net interbank funding position of Lit. 1,452.5 billion at March 31, 2001. The ratio of total credits (banks and customers) to total funding (interbank, customers and securities) was 87.1% at December 31, 2000 and 83.7% at March 31, 2001. See "Our Business—Risk Management—Liquidity Risk."

We must also comply with certain liquidity requirements established by the Bank of Italy. See "The Italian Banking System, Supervision and Regulation." We believe that we are in compliance with all such requirements.

As a result of the proposed acquisition of Carime, the amount of funding available to the Group from its deposit base will significantly increase, reducing its need for interbank funding. The Group currently does not anticipate a need to increase its ratio of interbank funding to customer funding in order to fund anticipated capital expenditures. However, the Group's future overall mix of customer funding and interbank funding will depend on a number of factors, including interest rates for these alternative funding sources and the rates of growth of Group lending and deposits.

THE GROUP'S BUSINESS

The following is a brief description of the Group's business. You are urged to read the section entitled "Our Business" in the Equity Offering Memorandum, which has been distributed to potential investors together with this document and incorporated herein by reference for additional discussion regarding our business.

Overview

Our Group is one of the leading regional banking groups in northern Italy and has traditionally operated mainly in the region of Lombardy, targeting primarily small- and medium-sized businesses for its lending activities and high net-worth individuals for its asset management activities. Our Group provides commercial banking and investment services and offers customers a wide range of banking and financial products, asset management services and securities brokerage services (including on-line trading), private banking services, insurance products and leasing and factoring services. We deliver our products and services to our customers through our multichannel distribution approach, which includes our traditional network of branches, private banking units, Internet and telephone banking and our network of financial consultants. Through our subsidiary, ONBanca, we were one of the first banks in Italy to offer Internet banking.

Since 1990 our Group has been expanding into other regions, including the Piedmont, Emilia Romagna, Veneto, Marche and Abruzzo regions. We have also recently taken steps to expand into southern Italy through organic growth and by entering into the Purchase Agreement for the acquisition of a controlling interest in Carime. See "The Proposed Acquisition of Carime—The Purchase Agreement." The acquisition is subject to the implementation of a capital reinforcement plan, of which this Global Offering forms a part. The acquisition will be completed following this Global Offering, although Bank of Italy approval of the acquisition will remain conditional on completion of the capital reinforcement plan, which management expects will be completed by the end of June, 2001.

As at December 31, 2000, our Group had 208 branches and 37 private banking units and more than 330,000 customers. Upon completion of the Carime acquisition, the newly-enlarged banking group will comprise approximately 570 branches (including private banking units) and approximately 1,195,000 customers.

Our net non-performing loans to overall loan ratio has decreased from 1.4% as at December 31, 1998 to 0.9% as at December 31, 2000. As at December 31, 1998 and 2000, the national average for this ratio (as reported by ABI) was 5.4% and 2.97%, respectively.

As at and for the year ended December 31, 2000, our Group had total assets of Lit. 19,484.2 billion (including outstanding customer loans of Lit. 11,873.7 billion), total customer funding of Lit. 11,178.0 billion, total operating income of Lit. 923.6 billion and net income of Lit. 74.9 billion. As at December 31, 2000, the book value of our assets under management was Lit. 71,876 billion.

As at December 31, 2000, the Bank and BPLV together represented 92.6% of total Group assets.

Recent Events

Simultaneously with this offering, the Bank completed a €230 million offering of Lower Tier 2 subordinated debt.

Restructuring of ONBanca

On June 6, 2001, the Bank announced its intention to restructure the operations of ONBanca, its internet banking subsidiary. The proposed restructuring reflects lower than expected performance within ONBanca as well as within the international and Italian internet banking sector. The Bank considers ONBanca to continue to play a crucial role as a technological platform for all of the banks within the Group. Following the Bank's announcement, certain members of the management of ONBanca resigned. The Bank intends to hire or appoint new members of the management team as soon as possible.

The Equity Offering

On May 24, 2001, the Bank completed the sale of 26,100,000 ordinary shares resulting in net proceeds to the Bank of approximately €354.4 million. The Bank intends to use the proceeds of the

sale of its shares, in conjunction with the net proceeds of this offering as part of its capital reinforcement plan that was a condition of the Bank of Italy's approval of the proposed acquisition of Carime.

The Establishment of a Conversion Period

On March 19, 2001, the Bank Board of Directors, pursuant to the authority granted to it by the shareholders' meeting of February 3, 2001, established a one-time conversion period for the 1999-2004 Convertible Bonds, which began on March 30, 2001 and ended on April 30, 2001.

The Proposed Acquisition of Carime

On November 21, 2000, we entered into the Purchase Agreement for the acquisition from Banca Intesa S.p.A. of 75% of the share capital of Carime, for Lit. 2,306 billion. The acquisition is subject to the implementation of a capital reinforcement plan. See "The Proposed Acquisition of Carime." The acquisition is expected to enlarge our customer base by approximately 700,000 Carime customers and to utilize an infrastructure that, as at December 31, 2000, comprised 344 branches situated primarily in the Calabria, Puglia and Basilicata regions. Our credit ratings were all re-confirmed following the announcement of our proposed acquisition of Carime.

Activities

Our Group's business activities are divided into four principal areas: commercial banking; financial market activities; asset management; and securities management services. We also provide insurance products and leasing and factoring products and services. We undertake these activities both through traditional branches and through more innovative channels, such as private banking units and the Internet. In addition, we conduct Internet banking through our subsidiary ONBanca.

The table below sets forth the contribution of each principal business area to our Group's total operating income for the years ended December 31, 1998, 1999 and 2000.

	Year ended December 31,					
	1998		1999		2000	
	(Lit. in millions)	(%)	(Lit. in millions)	(%)	(Lit. in millions)	(%)
Commercial banking	407,644	55.4	393,989	53.3	504,590	54.6
Financial market activities	130,210	17.7	114,055	15.4	129,810	14.1
Asset management	69,522	9.4	91,397	12.4	128,038	13.8
Securities management services	15,623	2.1	18,550	2.5	21,530	2.3
Others	113,568	15.4	122,037	16.4	139,669	15.2
Total	<u>736,567</u>	<u>100.0</u>	<u>740,028</u>	<u>100.0</u>	<u>923,637</u>	<u>100.0</u>

Commercial Banking

The Group's traditional banking operations are conducted primarily by the Bank and BPLV and consist predominantly of domestic retail and corporate deposit-taking and short-, medium- and long-term lending. At December 31, 2000, our loan portfolio consisted principally of short-term loans to corporate clients (approximately 76% of our portfolio) and medium- to long-term loans to individuals primarily in the form of mortgages (approximately 20% of our loan portfolio). For a more detailed description of the Group's commercial banking activities, you are urged to read the section entitled "Our Business—Activities—Commercial Banking" in the Equity Offering Memorandum, which has been distributed to potential investors together with this document and incorporated herein by reference.

Financial Market Activities

Our Group carries out financial market activities both for our treasury and on behalf of customers through our Treasury and Capital Markets Department, conducting a wide variety of transactions in relation to the foreign exchange and money markets and the capital markets, including transactions in relation to government bonds, corporate bonds, equities and derivatives.

Within the department, our treasury and customer desks work closely with each other and share market information in order to optimize the assessment and management of financial risk and to provide a high level of service to both our network of branches and our customers. Our Treasury and Capital Markets Department is divided into three areas: foreign exchange and money market; bonds; and equities. For a more detailed description of the Group's financial market activities, you are urged to read the section entitled "Our Business—Activities—Financial Market Activities" in the Equity Offering Memorandum, which has been distributed to potential investors together with this document and incorporated herein by reference.

Asset Management

The Group's activities in relation to asset management includes customer investment portfolio management, Italian and international mutual funds and Luxembourg SICAVs.

Our original strategy in asset management was to forego offering only captive products (those offered by the Bank or by Group companies) and to favor distribution agreements with leading international asset management companies, such as Milan International Funds, Lemanik, AXA World Funds, American Express Funds, Goldman Sachs, Nomura, Arca, Morgan Stanley, Scottish Equitable and Schroders. This has permitted Group customers to benefit from a wide range of investment opportunities. For a more detailed description of the Group's asset management activities, you are urged to read the section entitled "Our Business—Activities—Asset Management" in the Equity Offering Memorandum, which has been distributed to potential investors together with this document and incorporated herein by reference.

Securities Management Services

We offer settlement services for transactions on behalf of Italian and foreign institutional customers and, in the context of these activities, have developed specific capabilities as a depository and correspondent bank. We have also combined traditional settlement services with informational services and consulting services in relation to taxation and corporate matters (participation in shareholders' meetings, receipt and or payment of dividends, etc.). As at December 31, 2000, the total amount of securities deposited by foreign institutional customers was approximately Lit. 24,000 billion. Commissions for securities services for the year ended December 31, 2000 amounted to approximately Lit. 3 billion. For a more detailed description of the Group's securities management services, you are urged to read the section entitled "Our Business—Activities—Securities Management Services" in the Equity Offering Memorandum, which has been distributed to potential investors together with this document and incorporated herein by reference.

Insurance, Leasing and Factoring

The following is a brief description of the Group's insurance products and leasing products and services. For a more detailed description of the Group's insurance products and leasing and factoring products and services, you are urged to read the section entitled "Our Business—Activities—Insurance, Leasing and Factoring" in the Equity Offering Memorandum, which has been distributed to potential investors together with this document and incorporated herein by reference.

Insurance. Our Group distributes both traditional life insurance products and, to a lesser extent, liability insurance products.

We offer a number of insurance products of third parties pursuant to agreements we have entered into with Arca Vita S.p.A. (a company in which we currently hold 16% of the share capital), Scottish Equitable International S.A., and AXA Assicurazioni S.p.A.

Our management believes that we were one of the first Italian credit institutions to sell policies with innovative features such as "unit linked" policies (where the value of the policy is linked to the value of a mutual fund or other investment), no-load policies and allocation bonuses.

We also offer investment oriented insurance policies, particularly those of Arca Vita S.p.A., which has a wide choice of risk and investment profiles.

Leasing. We carry out our leasing activities through ABF Leasing S.p.A. ("ABF Leasing") and Italease S.p.A. ("Italease"). The Bank and Banca Popolare dell'Emilia Romagna S.c.a r.l. each hold 50% of ABF Leasing. ABF Leasing and Italease provide leasing services to corporate and retail clients in respect of a range of equipment, machinery, cars and real estate.

In order to increase Group leasing activity, agreements have been entered into with *Consorti di Garanzia Fidi* (joint surety associations) which provide for the distribution of leasing agreements through their affiliates. The associations issue guarantees in favor of the Group on the basis of which we then issue guarantees to the company that grants the lease.

Internet Banking

Our Group currently offers Internet banking services principally through our subsidiary ONBanca, although certain limited Internet banking services are also currently offered to certain customers of the Bank and BPLV. As part of our strategy to expand our multi-channel distribution capacity, we intend to provide, among other things, the Internet banking services currently available through ONBanca to all Group customers and eventually to all Carime customers. See “—Strategy—Improving our quality of service and supporting the development of our strategic objectives by expanding our multi-channel distribution network and upgrading our ICT platform.” For a more detailed description of the Group’s Internet banking services, you are urged to read the section entitled “Our Business—Activities—Internet Banking” in the Equity Offering Memorandum, which has been distributed to potential investors together with this document and incorporated herein by reference.

Risk Management

The purpose of risk management is to monitor and control the size and concentration of risks arising from the Group’s activities. The principal categories of risk inherent to our Group’s business are market risk, credit risk, liquidity risk and operational and legal risk. Our Group’s risk management policy is designed to identify and analyze the above-mentioned risks, set appropriate limits, and continually monitor these risks and limits by means of advanced administrative and information systems. Our Group’s risk management policies and systems are continuously modified and enhanced to account for changes in markets and products.

The establishment of the Group’s risk management policy and the monitoring of risks occur at the most senior management levels of our Group. In order to facilitate effective development of risk management policies and controls, the Board of Directors directly establishes our risk management guidelines.

The Group’s Finance Committee is responsible for monitoring market risk and liquidity risk, and meets weekly in order to establish the Bank’s objectives in relation to overall management of assets and liabilities, taking into account our capital adequacy requirements. The Risk Committee is responsible for monitoring credit risk and meets once a month (except in August) and is composed of one member each from the General Management, Credit, Internal Auditing and Legal Departments. For a more detailed description of the Group’s risk management policies and systems, you are urged to read the section entitled “Our Business—Activities—Risk Management” in the Equity Offering Memorandum, which has been distributed to potential investors together with this document and incorporated herein by reference.

Employees

For a discussion of our employees, you are urged to read the section entitled “Our Business—Employees” in the Equity Offering Memorandum, which has been distributed to potential investors together with this document and incorporated herein by reference.

Investments

Investments and divestments (purchases and sales relative to financial interests and fixed tangible assets) effected over the last three fiscal years by the Group are set forth in the following tables.

	At December 31,		
	1998	1999	2000
	(Lit. in millions)		
Group Investments			
Other financial interests	33,533	28,853	84,010
Fixed tangible assets	23,344	31,790	41,085
	At December 31,		
	1998	1999	2000
	(Lit. in millions)		
Group Divestments			
Other financial interests	10,668	35,142	21,612
Fixed tangible assets	3,334	1,424	5,622

Investments and divestments (purchases and sales relative to financial interests and fixed tangible assets) effected over the last three fiscal years by the Bank are set forth in the following tables.

	At December 31,		
	1998	1999	2000
	(Lit. in millions)		
The Bank Investments			
Other financial interests	33,367	28,367	72,397
Fixed tangible assets	16,505	27,534	32,655
	At December 31,		
	1998	1999	2000
	(Lit. in millions)		
The Bank Divestments			
Other financial interests	10,422	35,142	13,774
Fixed tangible assets	320	349	590

Legal Proceedings

On March 23, 2001, a BPLV shareholder brought a cause of action against BPLV, certain members of the board of directors of BPLV, and the Bank, alleging a number of claims, including mismanagement, conflict of interest and procedural irregularities and seeking equitable relief in an amount that, at the date of this offering memorandum, has not been established. Management believes, based on legal advice, that the claims are unfounded.

In addition, BPLV faces two claims brought by minority shareholders of BPLV, challenging certain shareholders' resolutions of BPLV. One of these claims was decided in favor of BPLV on the first hearing as well as on the first appeal. The claimants have again appealed the decision.

Business Interruptions

There have been no interruptions to the business of the Bank and the Group which could have or have recently had material adverse effects on their activities.

Exceptional Events

No exceptional events have occurred over the last three fiscal years which could influence the information provided above.

Tax Position

As at December 31, 2000, the most recent fiscal year completely closed for direct taxes was 1995, and the most recent year completely closed for valued-added taxes ("VAT") was 1996.

We are involved in tax litigation concerning an audit on our corporate taxes on a taxable amount of Lit. 28.5 billion that has involved the following proceedings:

- For the fiscal years 1978 and 1980, the Fiscal Office is appealing a decision against them with the Central Fiscal Commission;
- For the fiscal year 1981, we are appealing a decision against us with the Central Fiscal Commission;
- For the fiscal year 1986, the Fiscal Office is appealing a decision against them with the Central Fiscal Commission; and
- For the fiscal year 1987, the proceedings were decided in our favor.

THE PROPOSED ACQUISITION OF CARIME

Overview

On November 21, 2000, the Bank entered into the Purchase Agreement for the acquisition from Banca Intesa of 75% of the share capital of Carime for approximately Lit. 2,306 billion. Carime is a southern Italian bank operating primarily in the regions of Calabria, Puglia, Campania and Basilicata. On November 20, 2000, the Bank received authorization for the acquisition from the Bank of Italy which is conditional upon the completion of a capital reinforcement plan to bring the capital adequacy ratios of the newly-enlarged banking group into compliance with Bank of Italy requirements. The transaction is expected to be effected on the tenth business day in Italy following the closing date of this Global Offering which, in accordance with the Purchase Agreement, must close by December 31, 2001 (the "Consummation Date"). The Bank has agreed to pay the purchase price (equal to approximately Lit. 1,914 per share (the "Purchase Price")) in three parts: the first part (Lit. 50 billion) was paid on the date the Purchase Agreement was signed; the second part (Lit. 450 billion) was paid on January 31, 2001; and the third part (approximately Lit. 1,806 billion) is payable by the Consummation Date.

Through the acquisition of Carime, our Group will have access to new regional markets which management believes feature both an underserved client base and low competition levels as compared to areas in northern Italy, particularly in respect of the sale of high value-added products and services. We believe Carime's high regional market share and strong brand name will provide us with a broad base for our Group's products and services as well as for future lending and revenue growth. Carime's large liquid resources will also help increase the Group's independence from interbank funding.

Our decision to acquire Carime was also motivated by Carime's low risk profile, as evidenced by its ratio of the volume of lending to customers compared to deposits from customers (equal to 41% at December 31, 2000) and the high quality of its loan portfolio (Carime's ratio of net non-performing loans to overall net outstanding loans was 0.35% as at December 31, 2000 although this figure reflects the transfer to a Banca Intesa Group member of certain non-performing loans. See "Carime's Business—History—Improvement of Credit Quality"). In addition, the risk profile of the proposed acquisition is also lowered by the Group's option to sell certain Carime loans to Banca Intesa pursuant to the Purchase Agreement, as described below.

The Purchase Agreement

On November 21, 2000, the Bank entered into the Purchase Agreement for the acquisition of 75% of the share capital of Carime from Banca Intesa. On November 20, 2000, the Bank received authorization for the transaction from the Bank of Italy, which is conditional upon the completion of a capital reinforcement plan to bring the capital adequacy ratios of the newly-enlarged banking group in line with Bank of Italy requirements of which this offering is a part. The transaction will be effected on the Consummation Date, no more than ten business days following the closing date of this offering. The Bank has agreed to pay approximately Lit. 2,306 billion of which approximately Lit. 1,806 billion remains to be paid. This amount is due on the Consummation Date.

The Purchase Agreement provides for a call option pursuant to which the Bank, directly or through another Group member, has the right to acquire Banca Intesa's remaining interest in Carime, equal to 24.92%. The call option may be exercised, in whole or in part, within three years of the Consummation Date. The Purchase Agreement also provides for an option pursuant to which Banca Intesa shall have the right to sell to the Bank its residual interest in Carime at any time during the three months following the expiration of the Bank's call option. The price per share of the call and put options will be the same as that paid for the 75% interest pursuant to the Purchase Agreement, subject to certain adjustments.

Further, the Bank has committed to purchase, within six months of the Consummation Date, all Carime shares offered for sale by any other shareholders in Carime at the Purchase Price. The shares held by such shareholders amount to, in the aggregate, 0.08% of the share capital of Carime.

In addition, Banca Intesa has undertaken to repurchase, at net book value, such loans as indicated by the Bank arising between July 1, 2000 and the date the acquisition is consummated. The Bank shall have the right to notify Banca Intesa, by the approval date of Carime's June 30, 2001 interim financial statements, of a list of such loans for a maximum amount of Lit. 433 billion which Banca Intesa must purchase from Carime at their aggregate net book value less any amounts received. In addition, by the

approval date of Carime's December 31, 2001 year end financial statements, the Bank shall have the right to notify Banca Intesa of a second list of such loans for a maximum amount of Lit. 217 billion, which Banca Intesa must purchase from Carime at their aggregate net book value less any amounts received.

Banca Intesa has also undertaken, by December 31, 2001, to effect the transfer of 300 Carime employees and a further 206 Carime employees currently seconded to the Intesa Group to the Banca Intesa group. For any failure to transfer any of these employees, Banca Intesa will pay Carime Lit. 100 million per employee per year for a period of 10 years. Banca Intesa has also undertaken to pay any supplemental pension contributions due for each such employee from June 30, 2001.

In accordance with the terms of the Purchase Agreement, Banca Intesa has agreed to indemnify the Bank in respect of any breach of its representations and warranties in the Purchase Agreement. This indemnification obligation will operate for amounts which exceed individually or in the aggregate Lit. 1 billion up to a maximum limit of Lit. 50 billion (except that certain indemnification obligations described below are not subject to this maximum limit). Banca Intesa's indemnification obligations will be reduced by the deduction of any provisions in the financial statements (excluding the provision for general banking risks); any indemnification which Carime should receive in relation to liabilities; and the overall amount of any contingent assets and capital gains which should emerge during the period of validity and effect of Banca Intesa's indemnification obligation. Intesa shall be liable for requests for indemnification received after the Consummation Date and up to the approval date of Carime's December 31, 2001 year end financial statements, or April 30, 2002, if at that date such financial statements are still pending approval.

Furthermore, there is no limit on Banca Intesa's indemnification obligations in respect of liabilities in relation to (i) the ownership of the shares purchased; (ii) debts (where such debts exceed the provisions made therefore in specific reserves); and (iii) taxes and social security obligations. The indemnity shall remain in force until the financial statements for the year ending December 31, 2001 have been approved, or until April 30, 2002, whichever comes first.

Banca Intesa has also agreed to indemnify the Bank with respect to any legal expenses in relation to the loans to be repurchased arising prior to the Consummation Date.

Many of the products and services which Carime offers to its customers are provided by the members of the Intesa Group pursuant to agreements between Carime and such companies. Banca Intesa has undertaken, upon request by the Bank, to terminate these agreements.

Banca Intesa will also purchase, at our request, within three months of the Consummation Date, any securities from the Carime proprietary portfolio that we communicate to Banca Intesa for up to Lit. 50 billion, at their aggregate net book value.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS OF CARIME

You should read the following information together with Carime's Financial Statements and Carime's Unaudited Interim Financial Statements and the Unaudited Pro Forma Financial Consolidated Statements incorporated by reference in this offering memorandum. The data presented in this section are derived from Carime's Financial Statements and the Unaudited Interim Financial Statements and reclassified along operating criteria. These reclassifications do not have an effect on the shareholders' equity or the net income of Carime in the periods presented. You should also read the following information together with the section entitled "Operating and Financial Review and Prospects of Carime" in the Equity Offering Memorandum, which has been distributed to potential investors together with this document and incorporated herein by reference with respect to Carime's results of operations for the three years ended December 31, 2000 and Carime's financial condition as at December 31, 1998, 1999 and 2000.

General

The principal factors that have significantly affected Carime's results of operations during the periods under consideration are:

- macroeconomic trends in the Italian economy, affecting primarily general economic growth rates, interest rates and financial markets, as well as certain structural characteristics of the Italian banking industry affecting the speed of adjustment of interest rates as they related to assets and liabilities (see "—Results of Operations for the Years Ended December 31, 2000, 1999 and 1998—Net Interest Income");
- the continuing process of deregulation and consolidation of the Italian banking industry;
- the three-year restructuring plan, which was implemented from 1998 to 2000 and which focused on integrating its information technology and human resources operations with Banca Intesa, reducing its operating costs, reducing its non-performing loans and improving its credit management policies. The most significant portions of this restructuring plan are described below in "—Acquisitions of Interests in Banks and Other Significant Events;"
- the effect of the lower growth of GDP in southern Italy, where Carime operates, compared to the average growth of GDP in the rest of Italy; and
- the impact of the higher margin of interest rates between lending to and funding provided by customers in southern Italy than in the rest of Italy.

Acquisitions of Interests in Banks and Other Significant Events

The Proposed Acquisition of Carime. In November 2000, Banca Intesa entered into the Purchase Agreement with the Bank whereby the Bank would acquire approximately 75% of Carime's share capital from Banca Intesa for approximately Lit. 2,306 billion. Bank of Italy approval of the acquisition is subject to the implementation of a capital reinforcement plan. This transaction, as well as the Bank's simultaneous offering of €230,000,000 Subordinated Floating Rate Notes and the recent offering of 26,100,000 ordinary shares constitute the principal elements of the capital reinforcement plan. The acquisition is expected to be completed shortly following this offering. See "The Proposed Acquisition of Carime—The Purchase Agreement."

Sale of 19 Branches to Banca Popolare di Vicenza. On October 24, 2000 (but with effect from January 1, 2001), Carime sold 19 branch offices to Banca Popolare di Vicenza as part of the requirements set out by the Antitrust Authorities in respect of Banca Intesa. As a result, as of January 1, 2001, the number of branch offices of Banca Carime has decreased from 344 to 325. In the first quarter of 2001, the sale of these branches resulted in an extraordinary gain of Lit. 61 billion, net of the provisions for goodwill and a debt of Lit. 103 billion under "other liabilities" on Carime's balance sheet. See "—Analysis of Financial Condition as at March 31, 2001 and December 31, 2000—Total Liabilities" and "—Other Liabilities."

Transfer of Part of the Proprietary Trading Securities Portfolio to Banca Intesa. During 2000, Carime transferred Lit. 5,782 billion of its proprietary trading securities portfolio to Banca Intesa. The proceeds of this sale were deposited with Banca Intesa, increasing Carime's deposits with Banca Intesa to Lit. 7,600 billion. These deposits with Banca Intesa earn interest at the 6-month interbank rate plus 10 basis points. These securities were transferred (i) with respect to listed securities, at market prices and (ii) with respect to unlisted securities, at approximate market values calculated by reference to quoted

securities with similar characteristics in terms of duration and interest rate. This transfer has resulted in a decrease in the trading securities portfolio from Lit. 6,961 billion at the end of 1999 to Lit. 1,179 billion at December 31, 2000, a net decrease of Lit. 5,782 billion.

Structural and ICT Integration with the Banca Intesa Group. Following Carime's becoming a part of the Banca Intesa Group in 1998, the Banca Intesa Group began to restructure and rationalize portions of Carime, including Carime's information system platform and its personnel. As part of the migration towards the Banca Intesa Group's information system platform and the costs of providing early retirement incentives, Carime has sustained considerable costs, which have had an impact on the statements of income for the years 1998, 1999 and 2000.

The Purchase Agreement provides that Banca Intesa will reimburse Carime for the costs sustained during 2000, amounting to Lit. 24.3 billion, for changes in Carime's information system platform. Carime has accrued this reimbursement at December 31, 2000 and included the amount of this reimbursement as "other revenue" in the statement of income for the year ended December 31, 2000.

Transfer of Non-performing Loans to the Banca Intesa Group. During 1999, net non-performing loans with a book value of Lit. 78.4 billion were sold to Cassa di Risparmio Salernitana (now Intesa Gestione Crediti), a member of the Banca Intesa Group, (Lit. 156.7 billion less write-down of Lit. 79.3 billion) and to T.R.C. S.p.A. (Lit. 8 billion less write-down of Lit. 7 billion). In addition, during 2000 net non-performing loans with a book value of Lit. 22.1 billion were sold to Intesa Gestione Crediti (Lit. 65.8 billion less write-down of Lit. 46.0 billion) and to T.R.C. S.p.A. (Lit. 16.2 billion less write-down of Lit. 13.9 billion).

Following this transfer and other changes during the period, non-performing loans net of write-downs decreased from Lit. 91.8 billion at December 31, 1998 to Lit. 32.7 billion at December 31, 1999 and to Lit. 22.4 billion at December 31, 2000.

Rationalization of Operations. In the three year period from 1998 to 2000, increased attention cost management led to reductions in operational expense. Excluding the costs of implementing the Banca Intesa Group information technology system at Carime, operational expenses (before provisions for fixed assets and reimbursement of seconded employees) decreased for each of the years 1998-2000 from Lit. 812 billion in 1998 to Lit. 745 billion in 2000.

In the context of a cost rationalization initiative covering all operational areas, Carime achieved appreciable results by outsourcing ICT services, and in reducing telephone and data transmission expenses and expenses from the transport of valuables.

With respect to rationalizing its work force, Carime adopted redundancy incentives which, together with normal retirements, led to a reduction in personnel from 4,366 persons at December 31, 1998 to 4,131 persons at December 31, 2000. This result was achieved without conflict with any trade unions.

Results of Operations for the Three Months Ended March 31, 2000 and 2001

The following table sets forth Carime's unaudited net income and the principal components thereof for the three month periods ended March 31, 2000 and 2001.

	Three months ended March 31,			% Variation
	2001 (Unaudited Euro in thousands)	2000 (Unaudited Lit. in millions)	2001	2000/2001 (%)
Net interest income	78,911	138,249	152,793	10.5
Non-interest income	34,413	61,210	66,633	8.9
Total operating income	113,324	199,459	219,426	10.0
Non-interest expenses	(96,060)	(188,386)	(185,999)	(1.3)
Net operating profit	17,264	11,073	33,427	201.9
Other income (expenses), net	31,601	932	61,189	6,465.3
Total provisions and adjustments for loans, risks and contingencies	(8,287)	(24)	(16,045)	66,754.2
Net adjustments to investments	(117)	0	(226)	—
Minority interests	—	—	—	—
Income taxes	(12,849)	(11,210)	(24,878)	121.9
Other provisions and appropriations, net	—	—	—	—
Net income for the period	<u>27,613</u>	<u>770</u>	<u>53,467</u>	<u>6,843.8</u>

Net Interest Income

The following table sets forth Carime's unaudited net interest income for each of the three month periods ended March 31, 2000 and 2001.

	Three months ended March 31,		% Variation
	2000 (Unaudited Lit. in millions)	2001	2000/2001 (%)
Interest income	236,722	254,776	7.6
Interest expense	(98,473)	(101,983)	3.6
Net interest income	<u>138,249</u>	<u>152,793</u>	<u>10.5</u>

Interest Income. Interest income is comprised of interest on loans to banks, interest on loans to customers, interest on debt securities, other interest receivable and positive differential on hedging transactions.

In the first three months of 2001, interest income increased to Lit. 254.8 billion from Lit. 236.7 billion in the first three months of 2000, an increase of 7.6%. This increase occurred despite a decrease in loans to customers offset by an increase in loans to banks. Carime restructured its loan portfolio in the first three months of 2001, decreasing loans to financial institutions other than banks and to state and other public entities (each of which constitute part of "loans to customers") because the interest rates on such loans are relatively low (compared to loans to other types of customers) and making more loans to such other customers and investing in debt securities. The average interest rates on loans to customers increased 0.90% and the average interest rates on securities held increased 0.34%. The sale of the 19 branches, which took effect on January 1, 2001, decreased Carime's interest income because the loans issued by those branches were included in the sale of those branches. In addition, the interest rate paid to Carime on its deposits with Banca Intesa increased by approximately 1%, which increased Carime's interest income.

Interest Expense. Interest expense consists of interest on deposits from banks, interest on deposits from customers, interest on securities issued, interest on subordinated debts and funds on behalf of third parties. In the first three months of 2001, interest expense increased to Lit. 102.0 billion from Lit. 98.5 billion for the first three months of 2000, an increase of 3.6%. Interest expense increased because the average interest rate for deposits from customers and from banks increased by 0.34%.

Net Interest Income. In the three month period ended March 31, 2001, net interest income was Lit. 152.8 billion, an increase of Lit. 14.5 billion, or an increase of 10.5%, as compared to the three month period ended March 31, 2000. The increase in Carime's net interest income was principally due to increases in yield spread and a shift in the composition of loans to customers.

Non-Interest Income

The following table sets forth Carime's unaudited non-interest income for each of the three-month periods ended March 31, 2000 and 2001.

	Three months ended March 31,		% Variation
	2000	2001	2000/2001
	(Unaudited Lit. in millions)		(%)
Dividends and other income	3,621	0	(100.0)
Commission income	63,857	51,177	(19.4)
Commission expense	(3,591)	(3,091)	(13.9)
Net commission income	60,266	48,086	(20.2)
Income (loss) from trading, net	(19,638)	959	104.9
Other operating income	16,961	17,588	3.7
Non-interest income	<u>61,210</u>	<u>66,633</u>	<u>8.9</u>

Commission Income. Commission income is comprised of commissions earned on guarantees issued, collection and payment services, management and brokerage services and other services. For the three months ended March 31, 2001, commission income was Lit. 51.2 billion, a decrease of Lit. 12.7 billion or 19.4% as compared to March 31, 2000. The decrease in commission income was primarily due to a difference in the composition of the sources of Carime's commission income in 2000. In the first quarter of 2001, Carime's customers increased their investments in mutual funds, on which it earns lower commissions than on sales of individual securities. In addition, Carime had fewer commissions on sales of securities due to the decline in the Italian stock market, which caused its customers to be less active in the trading of securities.

Commission Expenses. Commission expenses consist of expenses associated with commissions earned on collection and payment services, management and brokerage services and other services. In the first three months of 2001, commission expenses were Lit. 3.1 billion, a decrease of Lit. 0.5 billion, or 13.9%, as compared to the first three months of 2000. Commission expenses decreased slightly in 2000 because the stock market declined and fewer sales of securities occurred.

Dividends and Other Income. Dividends and other income consist of dividends from equity investments and dividends from Carime's subsidiaries. Dividends and other income in the first three months of 2001 decreased by Lit. 3,621, or 100.0%, compared to the same period in 2000, primarily due to the fact that none of the companies in which Carime held shares during the first quarter of 2001 declared dividends during that quarter, while some of the companies in which Carime held shares during the first quarter of 2000 declared dividends during that quarter.

Income (Loss) from Trading, Net. Net income (loss) from trading is principally composed of profits and losses from Carime's trading in government securities, fixed- and variable-rate securities and derivative contracts on securities. Carime had net income from trading in the first three months of 2001 of Lit. 1.0 billion, compared to a net loss from trading of Lit. 19.6 billion for the same period in 2000. Carime had a net loss in the first quarter of 2000 in part because it had a net loss on that portion of the sale of its Lit. 5,782 billion trading securities portfolio which occurred during the first quarter of 2000 as part of the Banca Intesa Group's restructuring plan to centralize the Banca Intesa Group's proprietary portfolio and in part because of unrealized losses booked as a result of its practice of marking to market its portfolio of securities at the end of each period in which the portfolio has diminished in value.

Other Operating Income. Other operating income comprises recovery expenses on deposits and current accounts, rent income and charges relating to leasing and other income. Other operating income increased in the first three months of 2001 by Lit. 627 million, or 3.7%.

Non-Interest Income. For the three months ended March 31, 2001, non-interest income was Lit. 66.6 billion, an increase of Lit. 5.4 billion, or 8.9%, as compared to the three months ended March 31, 2001. Carime had a higher non-interest income in the first quarter of 2001 when compared to the first quarter of 2000, primarily because it had non-interest income from trading (of Lit. 1.0 billion) instead of a net loss from trading (of Lit. 19.6 billion).

Non-Interest Expenses

The following table sets forth the components of Carime's unaudited non-interest expense for each of the three month periods ended March 31, 2000 and 2001.

	Three months ended March 31,		% Variation
	2000	2001	2000/2001
	(Unaudited Lit. in millions)		(%)
General and administrative expenses	159,871	158,819	(0.6)
Depreciation and amortization	28,253	26,892	(4.8)
Other operating expenses	<u>262</u>	<u>288</u>	<u>9.9</u>
Total non-interest expenses	<u>188,386</u>	<u>185,999</u>	<u>(1.3)</u>

General and Administrative Expenses. General and administrative expenses are comprised of staff costs, including salary and wages, social security contributions, severance indemnity fund and provision for post-retirement benefits, and other administration expenses. Carime's general and administrative expenses decreased slightly to Lit. 158.8 billion for the first quarter of 2001 compared to Lit. 160.0 billion for the first quarter of 2000, because its "other administrative expenses" decreased by approximately Lit. 3.5 billion, which was partly offset by the increase in its staff costs of approximately Lit. 2 billion. Other administrative expenses decreased due to the procedures that Carime has implemented as part of its restructuring plan. Staff costs increased because the costs of the higher benefits that Carime had to pay its staff as a result of a new national collective bargaining agreement that took effect in July 2000 exceeded the reduction of costs associated with the decrease in the number of Carime's employees.

Depreciation and Amortization. Depreciation and amortization includes the depreciation and amortization of Carime's fixed and intangible assets. Depreciation and amortization decreased by 4.8% to Lit. 26.9 billion for the first three months of 2001 compared to Lit. 28.3 billion for the first three months of 2000.

Other Operating Expenses. Other operating expenses include costs relating to leases and the early termination of leases. Other operating expenses increased slightly in the first three months of 2001 to Lit. 288 million, or an increase of 9.9% compared to the same period in 2000.

Net Operating Profit

Net operating profit for Carime increased in the first three months of 2001 to Lit. 33.4 billion, an increase of 201.8% or Lit. 22.4 billion from Lit. 11.1 billion in the same period of 2000. Net operating profit increased because total operating income increased while non-interest expense decreased slightly.

Other Income (Expenses), Net

Net other income (expenses) is comprised of the sum of profits on the sale of investments, profits on the sale of fixed assets, and other income less losses on investments, losses on the sale of fixed assets and other charges.

Net other income (expenses) increased substantially to Lit. 61.2 billion during the first quarter of 2001 from Lit. 932 million during the first quarter of 2000, because Carime recorded the sale of its 19 branches to Banca Popolare di Vicenza as an extraordinary gain of approximately Lit. 61 billion, net of approximately Lit. 10 billion of provisions for goodwill.

Total Provisions and Adjustments for Loans, Risks and Contingencies

Carime accounts for credit losses on loans by making specific provisions and charging the amount of such provisions against net income. Carime records credit losses on loans on the basis of specific

analyses of non-performing loans, of analyses of the most significant doubtful and of other analyses concerning doubtful loans and other outstanding loans. Carime's non-performing loan and doubtful loan portfolio is monitored daily by the Legal Department to review the prospects of recovery and the estimated losses, and its provisions and adjustments for loans, risks and contingencies are made on a quarterly basis. After these evaluations, if warranted, a reserve for credit risks is established to reflect possible loan losses. Loans appear on the financial statements net of the cumulative reserve for credit risks.

Total provisions and adjustments for loans, risks and contingencies increased to Lit. 16,045 billion in the three-month period ended 2001 compared to Lit. 24 million in the three-month period ended 2000. The substantial increase in total provisions and adjustments for loans, risks and contingencies was due to the Lit. 9.2 billion increase in adjustments to loans and other provisions for credit risks and the Lit. 6.8 billion increase in the provision for risks and contingencies. The increase in the adjustments to loans and other provisions resulted mainly from an increase in Carime's total portfolio of problem loans. The amount of write-backs of loans and provisions for guarantees and commitments remained relatively constant in the first quarter of 2001 and in the first quarter of 2000, while write-downs increased slightly. The Lit. 6.8 billion increase in the provision for risks and contingencies is due mainly to the provisions for the revaluation of certain loans included in the sale of 19 Carime branches to Banca Popolare di Vicenza. Pursuant to the purchase agreement for the branches, Banca Popolare di Vicenza on March 30, 2001, objected to the valuation of certain loans included in the purchase of the branches. Carime has provided reserves of approximately Lit. 4.6 billion to cover the costs of this revaluation.

Also in the provisions for risks and contingencies, Carime provided Lit. 1.8 billion to cover its litigation costs in connection with its proceedings with the Italian Ministry of the Treasury regarding interest rates applied to the Building Loans. Italian Law No. 133 of 1999 ("133/99") provides that borrowers (private individuals and some public entities) can negotiate any Building Loans which bear interest at a rate greater than the overall interest rate for Building Loans. Treasury Decree No. 10 of May 10, 2000 (the "Decree"), which implements 133/99, provides that if a borrower requests refinancing during the period between May 13, 1999 and June 10, 2000, the renegotiated interest rate would be applied retroactively to all interest payments made from July 1, 1999 onwards, and would be recalculated according to the lowest average interest rate applicable to such loans during that period. The 2001 "Finance Law" provides, however, that the interest rate to be applied to such Building Loans is to be the average interest rate applied to amortizing building loans. At the date of this offering memorandum, the Italian Ministry of Treasury has not set the average interest rate for such loans for 2001. The Italian Banking Association set out guidelines for its members to allow them to calculate the overall decrease of their interest margins on the Building Loans. Based on these guidelines, Carime calculated the rate applicable to its Building Loans at 11.82%. Carime, together with other banks and the Italian Banking Association, have begun proceedings with the Regional Administrative Tribunal of Lazio, seeking to annul the application of the lower applicable average interest rate. Carime has provided Lit. 1.8 billion to cover its costs in these proceedings. For further discussion of these proceedings, please see "Risk Factors—We have recently entered into a purchase agreement for a 75% interest of a bank that would more than double the size of the Group and face various risks and uncertainties—We face risks associated with certain legal and administrative proceedings currently under way" in the Equity Offering Memorandum, which has been distributed to potential investors together with this document and incorporated herein by reference.

Net Adjustments to Investments

Net adjustments to investments includes write-downs and write-backs on equity investments. Net adjustments to investments increased in the first three months of 2001 to Lit. 226 million, from zero in the same period in 2000.

Income Taxes

Income taxes for Carime increased by 122.3% to Lit. 24.9 billion in the first quarter of 2001, or 31.8% of income before taxes, from Lit. 11.2 billion, or 93.6% of income before taxes, in the same period in 2000. Income taxes increased for the first quarter of 2001 because Carime's income increased due to the sale of the 19 branches, although income taxes as a percentage of its income before taxes decreased. The reason for the decrease in Carime's income taxes as a percentage of its income before taxes was because the sale of the 19 branches was taxed at a special capital gains tax rate for the sale

of a business (19%). This tax rate is significantly lower than the general Italian corporate income tax rate. In 2000, Carime's income taxes as a percentage of its income before taxes were high because Carime had not recorded many tax deductible items during that quarter. Under Italian tax law, a company determines its tax by assessing the taxable and deductible portions of each line item in the income statement.

Net Income

Carime's net income for the three month period ended March 31, 2001 was Lit. 53.5 billion, a substantial increase over the Lit. 770 million of net income for the first three months of 2000. Net income in the first quarter of 2001 increased substantially over net income in the first quarter of 2000 mainly because of the gain of approximately Lit. 61 billion on the sale of 19 of its branches to Banca Popolare di Vicenza.

Analysis of Financial Condition as at March 31, 2001 and December 31, 2000

Total Assets

At March 31, 2001, Carime had total assets of Lit. 18,932.9 billion, a 4.8% decrease over total assets of Lit. 19,893.6 billion at December 31, 2000. The decrease in the first quarter of 2001 was mainly due to the sale of the 19 branches to Banca Popolare di Vicenza.

Loans to Customers. At March 31, 2001, loans to customers decreased 6.3% to Lit. 5,907.8 billion from Lit. 6,303.5 billion at 31 December 31, 2000. The decrease in 2001 was mainly due to the sale of the 19 branches and the decrease in loans to government entities and financial institutions.

Loans to Banks. At March 31, 2001, loans to banks decreased by 2.6% to Lit. 9,689.7 billion from Lit. 9,953.0 billion at the end of 2000. The decrease in the first quarter of 2001 resulted from the sale of the 19 branches.

Trading and Investment Securities. Trading and investment securities at March 31, 2001, remained relatively stable at Lit. 1,164.8 billion, compared with Lit. 1,178.9 billion at December 31, 2000.

Equity Investments. At March 31, 2001, equity investments also remained essentially constant at Lit. 45.3 billion, compared with Lit. 45.5 billion at December 31, 2000.

Intangible Assets. At March 31, 2001, intangible fixed assets decreased 5.6% to Lit. 490.6 billion from Lit. 519.5 billion at December 31, 2000.

Fixed Assets. Fixed assets, net of accumulated depreciation, decreased slightly to Lit. 405.7 billion at March 31, 2001 from Lit 417.0 billion at December 31, 2000.

Other Assets. At March 31, 2001, other assets were Lit. 1,088.1 billion, a 12.9% decrease from Lit. 1,249.4 billion at December 31, 2000, which was due to the decrease in the line item "other assets" which is composed of all of the miscellaneous assets not classified elsewhere. This "other assets" item declined to Lit. 908 billion at March 31, 2001, from Lit. 1,212 billion at December 31, 2000. This decrease was partially offset by the increase of accrued income, which rose to Lit. 80 billion at March 31, 2001 from Lit. 36 billion at December 31, 2000.

Total Liabilities. At March 31, 2001, the Group's total liabilities were Lit. 17,207.4 billion, a 5.6% increase over total liabilities of Lit. 18,221.6 billion at December 31, 2000.

Deposits from Customers. Deposits from customers decreased by 10.7% to Lit. 8,269.5 billion as at March 31, 2001 from Lit. 9,259.7 billion at December 31, 2000. Deposits from customers decreased for three reasons: (1) the sale of 19 Carime branches, (2) the decrease in deposits from Banca Intesa Group members other than banks and (3) the centralization to the Bank of Italy of certain treasury functions that Carime had previously provided.

Deposits from Banks. Liabilities due to banks increased by 48.3% to Lit. 1,172.9 billion from Lit. 791.0 billion at December 31, 2000. This increase was in line with Carime's policy to increase deposits from banks outside of the Banca Intesa Group.

Securities Issued. Securities issued remained relatively flat at Lit. 5,725.4 billion at March 31, 2001, compared to Lit. 5,878.8 billion at December 31, 2000.

Other Liabilities. Other liabilities decreased by 13.9% to Lit. 1,607.5 billion as of March 31, 2001, from Lit. 1,862.4 billion at December 31, 2000. This decrease was due mainly to changes in the amounts in transit, which were partially offset by Lit. 103 billion for a debt to Banca Popolare di Vicenza equal to the amount by which the liabilities of the 19 branches sold exceeded their assets, taking into account the Lit. 61 billion net of the provisions for goodwill paid by Banca Popolare di Vicenza.

Liability for Employee Termination Indemnities. Liabilities for employee termination indemnities remained stable at Lit. 226.9 billion as at March 31, 2001, compared with Lit. 224.4 billion at December 31, 2000.

Subordinated Debt. At March 31, 2001, the aggregate amount of subordinated liabilities remained unchanged at Lit. 205.2 billion from December 31, 2000.

Shareholders' Equity. Shareholders' equity at March 31, 2001, was Lit. 1,725.5 billion, which represented a 3.2% increase from at December 31, 2000, when it was Lit. 1,672.1 billion. The net shareholders equity increase in the first quarter of 2001 is due to retained earnings.

Liquidity and Capital Resources

Carime's funding needs to date have been met by Carime's deposit base consisting primarily of demand, savings and time deposits, CDs, bonds and customer repurchase agreements.

Deposits represented 50.5% of total liabilities and shareholders' funds at December 31, 2000, and 49.9% at March 31, 2001. At March 31, 2001, on demand deposits (due both to banks and customers) were Lit. 8,474.5 billion, compared to Lit. 9,271.9 billion at December 31, 2000. The difference between on-demand liabilities and on-demand assets was Lit. 2,509.7 billion at December 31, 2000 and Lit. 2,614.4 billion at March 31, 2001. The difference between short term (i.e., payable or due within 12 months) liabilities (loans from banks and customers) and assets (loans to banks and customers) was a net deficit of Lit. 2,922.8 billion at December 31, 2000 and Lit. 2,820.0 billion at March 31, 2001.

Carime is a net lender in the interbank market. It makes loans to Italian and foreign banks. Carime's net interbank funding position at December 31, 2000, was a positive Lit. 9,162.1 billion and was a positive Lit. 8,516.8 billion at March 31, 2001. The ratio of total loans from customers to total funding from customers and subordinated debt was 41.16% at December 31, 2000, and 43.14% at March 31, 2001.

Upon completion of Carime's acquisition by our Group, Carime's deposit base will increase the overall deposit base of our Group and reduce our Group's need for interbank funding. Carime currently expects that it will not need to increase its ratio of interbank funding to customer funding in order to finance any anticipated capital expenditures. In the future, Carime's mix of customer funding and interbank funding will depend on a number of factors, including interest rates for these alternative funding sources and the rates of growth of its lending and deposits.

Carime must also comply with certain liquidity requirements established by the Bank of Italy. See "The Italian Banking System, Supervision and Regulation." We believe Carime is in compliance with all such requirements.

CARIME'S BUSINESS

The following is a brief description of Carime's business. You are urged to read the section entitled "Carime's Business" in the Equity Offering Memorandum, which has been distributed to potential investors together with this document and incorporated herein for additional discussion regarding Carime's business.

Overview

Carime operates principally in the Calabria, Puglia, Campania and Basilicata regions of southern Italy and provides individuals and small- to medium-sized enterprises with a wide range of banking services and products. Carime currently serves approximately 700,000 customers through 325 branches.

Carime's management estimates that, based on data provided by the Bank of Italy, as at September 30, 2000, in the regions in which Carime operates, its customer lending represented approximately 9% of overall loans and its customer funding (including repurchase agreements and bonds) represented a market share of approximately 15.2%.

As at and for the year ended December 31, 2000, Carime had total assets of approximately Lit. 19,894 billion (including outstanding customer loans of approximately Lit. 6,304 billion), total customer funding of approximately Lit. 15,313 billion, gross operating income of approximately Lit. 912 billion and net income of approximately Lit. 40 billion.

As at December 31, 2000, Carime's net non-performing loans to total loans ratio was 0.35%, compared to the Italian banking system average of 2.97% (as reported by ABI).

History

Carime was formed on December 31, 1997, as a result of the unification of the banking concerns (the "Banking Concerns") of three banks in southern Italy formerly belonging to the Cassa di Risparmio delle Provincie Lombarde ("Cariplo") Group: Cassa di Risparmio di Calabria e di Lucania S.p.A. ("Carical"), Caripuglia S.p.A. ("Caripuglia"), and Cassa di Risparmio Salernitana S.p.A. ("Carisalerno"). With effect from December 31, 1997, Carical, Caripuglia and Carisalerno transferred their respective banking concerns—with the exception of risky or problematic lending positions—to Fincarime S.p.A., a financial company incorporated by Fondazione Carical and Cariplo S.p.A. Fincarime S.p.A. was contemporaneously transformed into Banca Carime S.p.A. For a more detailed description of Carime's history, you are urged to read the section entitled "Carime's Business—History" in the Equity Offering Memorandum, which has been distributed to potential investors together with this document and incorporated herein by reference.

Activities

Carime's principal operations are commercial banking, financial market activities and the distribution of asset management products and services. Carime's financial market activities consist mainly of proprietary trading and treasury management. Carime delivers its products and services principally through its branch network.

The table below sets forth total contributions by principal activity to total operating income for the periods indicated.

	Year ended December 31,					
	1998		1999		2000	
	(Lit. in millions)	(%)	(Lit. in millions)	(%)	(Lit. in millions)	(%)
Commercial banking	245,077	24.1	339,515	41.0	341,915	38.3
Financial market activities	703,239	69.1	398,100	48.1	444,757	49.8
Asset management and assets under administration	57,343	5.6	72,580	8.8	86,300	9.6
Other	11,922	1.2	17,629	2.1	20,665	2.3
Total operating income	1,017,581	100.00	827,824	100.00	893,637	100.00

Commercial Banking

Carime's traditional commercial banking activities predominantly consist of domestic retail and corporate deposit-taking and short-, medium- and long-term lending. Approximately 50% of Carime's

loans are made to retail customers, 34% to corporate customers and the remaining 16% to government entities. Carime's long-term lending consists principally of mortgage loans to retail customers while short- and medium-term lending is made mainly to businesses and government entities.

Carime also conducts treasury services for over 1,000 public entities, including the regions of Basilicata and Calabria. For a more detailed description of Carime's commercial banking activities, you are urged to read the section entitled "Carime's Business—Activities—Commercial Banking" in the Equity Offering Memorandum, which has been distributed to potential investors together with this document and incorporated herein by reference.

Lending Activities

Total loans (including interbank lending and doubtful loans net of loan loss allowances) by Carime amounted to approximately Lit. 16,257 billion, Lit. 13,070 billion and Lit. 10,608 billion as at December 31, 2000, 1999 and 1998, respectively. Carime's loan portfolio consists of loans to customers (corporate and retail) and interbank loans. Carime's ratio of net non-performing loans to overall loans decreased from 1.37% as of December 31, 1998, to 0.35% as at December 31, 2000. As at December 31, 1998 and 2000, the national average (as reported by ABI) was 5.4% and 2.97%, respectively. For a more detailed description of Carime's lending activities, you are urged to read the section entitled "Carime's Business—Activities—Lending Activities" in the Equity Offering Memorandum, which has been distributed to potential investors together with this document and incorporated herein by reference.

Financial Market Activities

Carime's financial market activities consist principally of proprietary trading as well as treasury management on the foreign exchange and money markets and the capital markets.

During 2000, Carime's proprietary trading activities were influenced by structural changes to Banca Intesa management policy, which led to the transfer to Banca Intesa of a large part of Carime's securities trading portfolio. The sale of Carime's portfolio was conducted at market prices for the quoted securities, while the unquoted securities were transferred at the market value of securities with similar features, such as maturity and interest rate. As a result of the transfer to Banca Intesa, the book value of Carime's securities portfolio has been reduced from Lit. 6,961 billion at the end of 1999 to Lit. 1,179 billion at December 31, 2000, representing a reduction of Lit. 5,781 billion and income statement losses for financial transactions of approximately Lit. 8 billion.

Asset Management

Carime's asset management activities have included the distribution of Banca Intesa Group asset management products and services, including mutual funds and SICAVs as well as securities portfolio and fund management. For a more detailed description of Carime's asset management activities, you are urged to read the section entitled "Carime's Business—Activities—Asset Management" in the Equity Offering Memorandum, which has been distributed to potential investors together with this document and incorporated herein by reference.

Insurance, Leasing and Factoring

Carime has distributed the insurance products of Carivita S.p.A., a Banca Intesa Group company. At present, Carime offers two insurance products that are "unit-linked" (where the value of the policy is linked to the value of a mutual fund or other investments).

With respect to leasing activity, Carime has distributed Banca Intesa Group leasing products, mainly in the automobile sector.

Factoring activities have been carried out in conjunction with Mediofactoring, a Banca Intesa Group company.

Risk Management

The principal categories of risk inherent to Carime's business are market risk, credit risk, liquidity risk and operational and legal risk. Carime's risk management policy is designed to identify and analyze the above-mentioned risks, set appropriate limits, and continually monitor these risks and limits by

means of advanced administrative and information systems. Also, Carime's risk management policies and systems require continuous modification and enhancement to reflect changes in markets and products.

The establishment of Carime's risk management policy and the monitoring of risks occur at senior management levels within Carime. In order to facilitate effective development of risk management policies and controls, the Board of Directors directly establishes Carime's risk management guidelines.

Carime's Executive Committee has ultimate responsibility for monitoring risk, including credit risk. The Executive Committee meets frequently in order to establish Carime objectives in relation to overall management of assets and liabilities, particularly in relation to market risks and liquidity risk, taking into account its capital adequacy requirements. For a more detailed description of Carime's risk management policies and systems, you are urged to read the section entitled "Carime's Business—Risk Management" in the Equity Offering Memorandum, which has been distributed to potential investors together with this document and incorporated herein by reference.

Employees

For a discussion of Carime's employees, you are urged to read the section entitled "Carime's Business—Employees" in the Equity Offering Memorandum, which has been distributed to potential investors together with this document and incorporated herein by reference.

Investments

The following table lists investments effected by Carime over the last three financial years as at December 31, 1998, 1999 and 2000.

	At December 31,		
	1998	1999	2000
	(Lit. in millions)		
Financial investments	1,155	1,258	2,525
Fixed tangible assets	15,673	34,286	31,051
Fixed intangible assets	21,623	24,042	14,563
Total	38,451	59,586	48,139

The following table indicates divestments (sales and disposals relative to financial investments and fixed tangible assets) effected by Carime over the last three financial years as at December 31, 1998, 1999 and 2000.

	At December 31,		
	1998	1999	2000
	(Lit. in millions)		
Financial investments	1,644	16,151	7,873
Fixed tangible assets	1,692	8,230	21,345
Fixed intangible assets	—	—	—
Total	3,336	24,381	29,218

Investments and divestments in the table refer to:

- restructuring of the financial investment portfolio which led to the acquisition of quotas (which represents an ownership interest in a S.r.l. (*Società a responsabilità limitata*), a limited liability company), primarily in state-sponsored regional development companies, and the disposal of non-core interests; and
- the complete renewal of peripheral and central computer equipment and the acquisition of software in the context of the integration and unification of procedures existing in the Banking Concerns. More than Lit. 12 billion of investments in 1998 and 1999—under fixed intangible assets—are related to restructuring costs and to setting up branches in premises owned by third parties.

Legal and Other Proceedings

Carime is involved in proceedings with the Italian Ministry of the Treasury with regard to interest rates applied to Building Loans. Recent Italian legislation (Law No. 133 of 1999, “133/99”) provides that borrowers (private individuals and some public entities) can renegotiate their Building Loans bearing interest rates that are superior to the average overall interest rate for Building Loans. Treasury Decree No. 110 of May 10, 2000 (the legislation implementing 133/99, the “Decree”) provides that if a borrower renegotiated their Building Loans during the period between May 13, 1999 and June 10, 2000, the renegotiated interest rate would be applied to all of the interest payments made from July 1, 1999 onwards, and would be calculated according to the lowest average interest rate applicable to such loans during that period.

Carime, together with other banks and the ABI, has begun proceedings with the Regional Administrative Tribunal of Lazio, seeking to annul the application of the lowest applicable interest rate to the Building Loans renegotiated in the period between May 13, 1999 and June 10, 2000. Should Carime, the other banks and the Italian Banking Association fail to obtain the annulment, Carime would realize less on its renegotiated loans and would have to reimburse any interest overcharged.

The recent 2001 “Finance Law” and a subsequent Treasury decree provide, however, that the interest rate to be applied to refinanced subsidized housing loans is to be the average global interest rate applied to amortized construction loans. At the date of this offering memorandum, the average global interest rate for 2001 has not yet been set by the Ministry of the Treasury. The ABI has set out guidelines for its members in order to allow them to calculate the overall diminution of their interest margin on the Loans, on the basis of which Carime has calculated the rate applicable to its Building Loans at 11.82%. On the basis of the 11.82% rate, Carime has made provision in its reserves of Lit. 4.6 billion for the purpose of reimbursing the overcharged interest on the Building Loans in the period between May 13, 1999, and June 10, 2000.

On April 24, 2001, Banca Intesa undertook to indemnify the Bank for any amounts of interest overcharged on the Building Loans between July 1, 1999 and the Consummation Date that exceed the provision in Carime’s reserves.

In addition, Carime is involved in proceedings relating to the recent change in legislation regarding the way banks can compound interest. Until 2000, banks were permitted to compound interest on lending at more frequent intervals than they compounded interests on deposits. The Region of Calabria has claimed damages in the amount of Lit. 80 billion against number of banks, including Carime. Carime has reserved Lit. 2.2 billion in its reserves in order to cover any damages that it will have to pay in these proceedings. Carime could be involved in continued and ongoing litigation in the short to medium term.

In October 1998, Carime was the subject of a tax audit in reference to Fincarime S.p.A. by the Tax and Provincial VAT Office of Cosenza, Italy. To date, there has been no outcome from that audit.

Banca Intesa has undertaken to indemnify the Bank for any tax liability in respect of Carime arising before the completion of the proposed acquisition of Carime. See “The Proposed Acquisition of Carime—The Purchase Agreement.”

OUR MANAGEMENT

Our management is divided among the Board of Directors, the Executive Committee (or *Comitato Esecutivo*) and our Senior Management, which manages the day-to-day operations of the Group. In addition, pursuant to the Italian Civil Code, we have a supervisory body, the Board of Statutory Auditors.

Board of Directors

Pursuant to our by-laws, our Board of Directors is elected by our shareholders' meeting and was last elected on April 29, 2000, with the exception of Mr. Musumeci, who was elected by the shareholders' meeting of February 3, 2001. As of the last general shareholders' meeting, the Board of Directors was composed of the following 15 members:

Name	Position	Age ⁽¹⁾	Principal Occupation
Giuseppe Vigorelli	Chairman	77	Director, Executive
Carlo Garavaglia	Vice Chairman	57	Director, Executive
Antonio Bulgheroni	Vice Chairman	57	Director, Entrepreneur
Mario Boselli	Member	60	Executive
Diana Bracco	Member	59	Entrepreneur
Giancarlo Cazzani	Member	81	Entrepreneur
Alberto Crespi	Member	78	Director, University Professor
Giuseppe Crosti	Member	73	Entrepreneur
Roberto Drago	Member	50	Director
Constantino Ercoli	Member	77	Lawyer
Loris Fontana	Member	80	Entrepreneur
Paolo Lamberti	Member	49	Entrepreneur, Executive
Gregorio Magnetti	Member	46	Director, Entrepreneur
Toti Salvatore Musumeci	Member	42	Director, University Professor
Bruno Tosi	Member	77	Director, Entrepreneur

(1) As of the date of this offering memorandum.

Our directors are elected by a majority vote of our shareholders and hold office for a period of three years. Directors may be re-elected for consecutive terms. Their office may be revoked at any time by shareholders entitled to vote at the general meeting (though, if removed without cause, a director may have a claim against for damages). Directors may resign at any time by written notice to the Board of Directors and the Chairman of the Board of Statutory Auditors. Vacancies may be filled by resolution of the remaining Directors (with the approval of the Board of Statutory Auditors) until the next shareholders' meeting, at which time the appointment may be confirmed by the shareholders or new directors may be appointed. In accordance with our by-laws, if a majority of the Board resigns or otherwise ceases to be Directors, the entire Board shall be removed and the Board of Statutory Auditors must promptly convene a shareholders' meeting to appoint a new Board.

The Board of Directors elects its Chairman and Vice Chairman if they are not provided for by the shareholders' meeting. The Board of Directors appoints the members of the Executive Committee composed of six members. The Executive Committee is composed of the Chairman of the Board, the Vice Chairman, the Managing Director (if any), the Chief Executive Officer (if he is a member of the Board) and other directors. This appointment or removal must be approved by a majority of the Directors present. The Chairman of the Board convenes Board meetings and supervises the execution of the Board resolutions and our general administration. In the event of the absence of the Chairman or his inability to act, the Chairman is replaced by the Vice Chairman and, in the event of the Vice Chairman's absence or inability to act, he is replaced by the oldest Director unless the Board determines otherwise.

The Board of Directors meets regularly and must meet at any time it is convened by the Chairman or his substitute or at any time the Chairman is requested to convene a meeting by at least one-third of the Directors.

Our shareholders determine Director remuneration on an annual basis. The Directors may receive additional compensation as set by the Board of Directors, with the prior approval of the Board of Statutory Auditors, for particular additional responsibilities.

The Board of Directors may, from time to time, confer powers to perform specified acts to one or more of its members, the Executive Managers, our employees, or to other persons. The Chairman of the Board, or his substitute, is our legal representative.

Executive Committee

The Board of Directors may delegate some of its powers to an Executive Committee, determining the length of the term of office of the Executive Committee as well as the nature and scope of the Committee's activities. The Executive Committee is responsible for the Group's strategic management and currently consists of the following members who were appointed on April 7, 2001:

<u>Name</u>	<u>Position</u>	<u>Age⁽¹⁾</u>
Giuseppe Vigorelli	Chairman	77
Carlo Garavaglia	Member	57
Antonio Bulgheroni	Member	57
Mario Boselli	Member	60
Giancarlo Cazzani	Member	81
Constantino Ercoli	Member	77

(1) As of the date of this offering memorandum.

The General Manager is charged with the task of implementing resolutions of the Board of Directors, unless otherwise determined by the Board. The General Manager participates in meetings of the Board of Directors and of the Executive Committee but does not vote on matters discussed therein unless he is a member of the Board. With respect to urgent matters, the Chairman may make decisions that are normally within the competence of the Board of Directors or Executive Committee (except for those matters reserved exclusively to the Board of Directors). The Board of Directors must be informed of any such decision at its next meeting.

Board of Statutory Auditors

Our Board of Statutory Auditors has a duty to shareholders (to whom it reports), to us and to our creditors. Pursuant to Italian law, the Board of Statutory Auditors must oversee our compliance with the law and our by-laws, our proper administration, and the adequacy of internal controls and accounting reporting systems as well as the adequacy of provisions concerning the supply of information by our subsidiaries. The Board of Statutory Auditors must promptly report any irregularities to CONSOB and is also required to report specific matters to the shareholders and to the court. Our Board of Directors must make quarterly reports to the Board of Statutory Auditors. In addition, the Board of Directors must promptly report to the Statutory Auditors any material activities or transactions carried out by the Group. Any member of the Board of Statutory Auditors may request information directly from us, and any two members of the Board of Statutory Auditors may:

- (i) convene meetings of the shareholders, of the Board of Directors, or of the Executive Committee;
- (ii) ask for information relating to our management from the Directors; (iii) carry out inspections and verifications at our offices; and (iv) exchange information with our external auditors. The members of the Board of Statutory Auditors are required to be present at meetings of the Board of Directors and the shareholders' meetings. Pursuant to our by-laws, the Board of Statutory Auditors has three standing members and two alternate members. Statutory Auditors are appointed at the shareholders' general meeting for a three-year term and may be re-elected for subsequent terms. The general shareholders' meeting also determines the Statutory Auditors' remuneration for their entire term.

According to our by-laws, the Statutory Auditors are elected through a cumulative voting system, whereby shareholders holding at least one percent of the ordinary shares may present a slate of candidates for the position of Statutory Auditor and for the position of alternate. If more than one slate is presented, two Statutory Auditors and one alternate are elected from the slate which obtains the largest number of votes in the shareholders' meeting (the candidate listed first on such slate

becomes the chairman of the Board of Statutory Auditors) and one Statutory Auditor and one alternate are elected from the slate that obtains the second largest number of votes.

Current members of the Board of Statutory Auditors, who were appointed at our shareholder's meeting in February 3, 2001 and will remain in office until the shareholders' meeting to approve our consolidated financial statements for the year ended December 31, 2003, are as follows:

<u>Name</u>	<u>Position</u>	<u>Age⁽¹⁾</u>
Ramiro Tettamanti	President	70
Adelmo Paganini	Auditor	66
Aldo Semenza	Auditor	78
Giovanni Martinelli	Alternate Auditor	54
Giorgio Silva	Alternate Auditor	57

(1) As of the date of this offering memorandum.

Senior Management

The following table sets forth the names of our current senior management, together with their positions.

<u>Name</u>	<u>Position</u>	<u>In Office Since</u>
Giuseppe Vigorelli	President	April 21, 1997
Carlo Porcari	General Manager	July 1, 1993
Germano Volpi	Vice Manager Interim	January 1, 2000
Cesare Giardino	Vice General Manager	July 1, 1993
Massimo Leto di Priolo	Vice General Manager	July 1, 1993
Giorgio Ricchebuono	Vice General Manager	March 1, 2000

Executive Compensation

The aggregate amount of compensation we paid during the fiscal year ended December 31, 2000 to members of our Board of Directors was approximately Lit. 3.0 billion. During the same period, we paid approximately Lit. 180 million to the members of our Board of Statutory Auditors.

Interest of Management in Certain Transactions

As at December 31, 2000, members of our Board of Directors and Board of Statutory Auditors held, directly or indirectly, 572,424 shares in the Bank, equal to approximately 0.89% of the the Bank share capital.

As at December 31, 2000, the General Manager and other senior management held, directly or indirectly, a total of 17,899 shares in the Bank, equal to approximately 0.03% of the the Bank share capital.

As at December 31, 2000, the Group had outstanding loans or guarantees to members of the Board of Directors, Board of Statutory Auditors and senior management in the aggregate of Lit. 181,598 million, as set out in the table below.

	<u>At December 31, 2000</u>
	<u>(Lit. in millions)</u>
Board Members ⁽¹⁾	180,111
Statutory Auditors	1,474
Senior Management	<u>13</u>
	181,598

(1) In accordance with Bank of Italy requirements, each loan must be approved unanimously by the board with the abstention of the interested party and notified to the Bank of Italy.

BANCA POPOLARE COMMERCIO E INDUSTRIA CAPITAL TRUST

Banca Popolare Commercio e Industria Capital Trust is a statutory business trust formed on June 13, 2001 under the Delaware Business Trust Act, as amended (the “Trust Act”), under a trust agreement and the filing of a certificate of trust filed with the Secretary of State of the State of Delaware. The trust agreement will be amended and restated in its entirety on or about June 27, 2001 (as so amended and restated, the “Trust Agreement”).

The Company will own 100% of the Trust Common Securities, which will have an aggregate liquidation preference equal to €1,000. The Trust will use all the proceeds derived from the issuance of the Trust Securities to purchase the Company Preferred Securities from the Company. The assets of the Trust will consist solely of the Company Preferred Securities.

The Trust exists exclusively for the purposes of:

- issuing the Trust Securities representing undivided beneficial ownership interests in the assets of the Trust;
- investing the proceeds of the Trust Securities in, and holding, the Company Preferred Securities; and
- engaging in only those other activities necessary or incidental thereto.

Pursuant to the Trust Agreement, there will initially be five trustees (the “Trustees”) for the Trust. Three of the Trustees will be individuals (the “Regular Trustees”). A majority of the Regular Trustees will be residents of the United States. The fourth Trustee, the property trustee, will be a financial institution that is unaffiliated with the Bank (the “Property Trustee”). The fifth Trustee will be an entity that maintains its principal place of business in the State of Delaware (the “Delaware Trustee”).

The initial Regular Trustees of the Trust will be Franco Walter Backhaus, a resident of Luxembourg, Benjamin B. Abedine, a resident of the United States and Dwight Jenkins, a resident of the United States.

Initially, The Bank of New York will act as Property Trustee and The Bank of New York (Delaware) will act as Delaware Trustee.

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

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

For so long as the Trust Preferred Securities remain outstanding, the Bank will covenant:

- that 100% of the Trust Common Securities will be held by the Company, or, with the prior approval of the Bank of Italy, if then required, any subsidiary of the Bank incorporated under the laws of any State of the United States which is deemed to be a “company controlled by the parent company” within the meaning of Rule 3a-5 of the 1940 Act;
- to not permit, or take any action to cause, the Trust to issue securities other than the Trust Securities;

- to use its commercially reasonable efforts to cause the Trust to remain a statutory business trust and not to voluntarily dissolve, wind up or liquidate, except as permitted by the Trust Agreement;
- to use its commercially reasonable efforts to ensure that the Trust will not be classified as an investment company for purposes of the 1940 Act; and
- that it will take no action which would be reasonably likely to cause the Trust to be classified as (x) other than a grantor trust for United States federal income tax purposes, (y) an association or a publicly traded partnership taxable as a corporation for United States federal income tax purposes or (z) a foreign trust for United States federal income tax purposes.

The holder of the Trust Common Securities may, with the prior approval of the Bank of Italy, if then required, transfer such securities to any other subsidiary of the Bank incorporated under the laws of any State in the United States which is deemed to be a “company controlled by the parent company” within the meaning of Rule 3a-5 of the 1940 Act, *provided that*, prior to such transfer it has received an opinion of an independent nationally recognised law firm in the United States experienced in such matters to the effect that: (1) the Trust will continue to be treated as a grantor trust for United States federal income tax purposes and such transfer will not cause the Company to be classified as an association or a publicly traded partnership taxable as a corporation for United States federal income tax purposes; (2) the Trust will not be treated as a foreign trust for United States federal income tax purposes; (3) such transfer will not cause the Trust to be required to register under the 1940 Act; and (4) such transfer will not adversely affect the limited liability of the holders of the Trust Preferred Securities.

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

On or prior to the Issue Date, the Trust, the Company and the Bank will enter into a services agreement with Lord Securities Corporation (the “Services Agreement”). Under the Services Agreement, Lord Securities Corporation will be obligated, among other things, to provide legal, accounting, tax and other general support services to the Trust and the Company, to maintain compliance with all applicable US and Italian local, state and federal laws, and to provide administrative, record-keeping and secretarial services for the Company and the Trust. As issuer of the Company Preferred Securities, the Company will pay all of the fees and expenses of the Trust, including any taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States or any other domestic taxing authority upon the Trust, and all other obligations of the Trust (other than with respect to the Trust Securities).

The location of the principal executive office of the Trust and the business address of the Trust is c/o Lord Securities Corporation, Two Wall Street, 7th Floor, New York, New York 10006, U.S.A.

BANCA POPOLARE COMMERCIO E INDUSTRIA FUNDING LLC

Banca Popolare Commercio e Industria Funding LLC is a limited liability company that was formed on June 13, 2001 under the Delaware Limited Liability Company Act, as amended (the “LLC Act”), pursuant to an initial limited liability company agreement and a certificate of formation filed with the Secretary of State of the State of Delaware. The limited liability company agreement will be amended and restated in its entirety on or about June 27, 2001 (as so amended and restated, the “Company Agreement”) in order to reflect, among other things, the issuance by the Company of its common securities (the “Company Common Securities”) and its 9.0% Noncumulative Guaranteed Company Preferred Securities (the “Company Preferred Securities,” and together with the Company Common Securities, the “Company Securities”).

The Property Trustee will initially hold 100% of the issued and outstanding Company Preferred Securities for the benefit of the holders of the Trust Securities. The Bank will initially hold 100% of the issued and outstanding Company Common Securities, which will have an aggregate liquidation preference equal to €1,000,000.

The Company will use the majority of the proceeds from the sale of the Company Securities and the fee payable by the Bank under the Initial Derivative Contract (the “Initial Proceeds”) to invest in Eligible Investments, including the Initial Subordinated Deposit, and to purchase the Trust Common Securities. Upon repayment of the Initial Subordinated Deposit, the Company may reinvest the proceeds therefrom in other Eligible Investments, including other Subordinated Deposits meeting the reinvestment criteria described under the section entitled “Description of the Eligible Investments—Initial Subordinated Deposit—Reinvestment of Proceeds.”

The Company exists exclusively for the purposes of:

- issuing the Company Securities and entering into the Initial Derivative Contract with the Bank;
- investing the Initial Proceeds in and holding the initial Eligible Investments, including the Initial Subordinated Deposit, and to purchase the Trust Common Securities;
- reinvesting the proceeds of the Initial Subordinated Deposit and other Eligible Investments, upon repayment thereof, in and holding other Eligible Investments; and
- engaging in only those other activities necessary, appropriate, proper, advisable, incidental or convenient thereto.

For so long as the Company Preferred Securities remain outstanding, the Bank will covenant:

- that 100% of the Company Common Securities will be held by the Bank, any other branch of the Bank or, with the consent of the Bank of Italy, if then required, one or more subsidiaries of the Bank each of which is deemed to be a “company controlled by the parent company” within the meaning of Rule 3a-5 of the 1940 Act;
- to cause the Company to remain a limited liability company and not to voluntarily dissolve, liquidate or wind up, except as permitted by the Company Agreement; and
- to use its commercially reasonable efforts to ensure that the Company will not be (x) an investment company for purposes of the 1940 Act or (y) an association or a publicly traded partnership taxable as a corporation for United States federal income tax purposes.

The holder of the Company Common Securities may, with the prior approval of the Bank of Italy, if then required, transfer such securities to another branch of the Bank or to one or more subsidiaries of the Bank each of which is deemed to be a “company controlled by the parent company” within the meaning of Rule 3a-5 of the 1940 Act, *provided that*, prior to such transfer it has received an opinion of an independent nationally recognised law firm in the United States experienced in such matters to the effect that: (1) the Company will continue to be treated as a partnership for United States federal income tax purposes and such transfer will not cause the Company to be classified as an association or publicly traded partnership taxable as a corporation for United States federal income tax purposes; (2) such transfer will not cause the Company or the Trust to be required to register as an “investment company” under the 1940 Act; (3) such transfer will not adversely affect the limited liability of the holders of the Company Preferred Securities; and (4) such transfer will not cause a Capital Deficiency Event.

The Company may also use any of its assets or proceeds therefrom, other than the Subordinated Deposits and proceeds therefrom, to pay its expenses to the holders of the Company Common Securities at any time, provided that the minimum aggregate principal amount of such assets or proceeds owned by the Company after such payment shall at all times be not less than €1,000.

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

The Company’s business and affairs will be conducted by its Board, which will consist initially of five members. The initial Regular Independent Director will be Dwight Jenkins, a resident of the United States. The other initial members of the Board include Franco Walter Backhaus, a resident of Luxembourg, Giorgio Vignolle, a resident of Luxembourg, Germano Volpi, a resident of Italy, each of whom is an employee of the Group and Dean A. Christiansen, a resident of the United States.

The Company Agreement will provide, however, that for so long as any Company Preferred Securities are outstanding, certain amendments of the Company Agreement, including any provisions with respect to the enforcement of the Company Subordinated Guarantee and the payment of Dividends, require the unanimous approval of all of the holders of the Company Preferred Securities, and certain other amendments of the Company Agreement require the approval by the affirmative vote of the holders of not less than 66²/₃% of the outstanding Company Preferred Securities, excluding any Company Preferred Securities held by the Bank or any of its affiliates. If, for any Dividend Period, Mandatory Dividends, and any Company Additional Amounts in respect of such Mandatory Dividends, have not been paid in full on the Company Preferred Securities by the Company or by the Bank under the Company Subordinated Guarantee, together with any Guarantor Additional Amounts that may be payable thereon, holders of Company Preferred Securities will be entitled to appoint a Special Independent Director. See “Description of the Company Securities—Company Preferred Securities—Voting Rights” and “Description of the Company Securities—Company Preferred Securities—Independent Director Approval.”

All officers and employees of the Company may also be officers or employees of the Bank or any other member of the Group.

On or before the Issue Date, the Company, the Trust and the Bank will enter into a Services Agreement with Lord Securities Corporation. See “Banca Popolare Commercio e Industria Capital Trust.” As holder of the Company Common Securities, the Bank will provide the Company with the funds necessary for payment by the Company of all of its fees and expenses, including any taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States or any other domestic taxing authority upon the Company, and all other obligations of the Company (other than with respect to the Company Securities).

The location of the principal executive office of the Company and the business address of the Company is c/o Lord Securities Corporation, Two Wall Street, 7th Floor, New York, New York 10006, U.S.A.

DESCRIPTION OF THE TRUST SECURITIES

The Trust Securities will be issued pursuant to the terms of the Trust Agreement. The following summary of the material terms and provisions of the Trust Securities does not purport to be complete and is subject to and qualified in its entirety by reference to, the Trust Agreement, the Agency Agreement (as defined below) and the Trust Act.

General

The Trust Agreement authorizes the Regular Trustees of the Trust to issue the Trust Securities, which represent undivided beneficial ownership interests in the assets of the Trust. Title to the Company Preferred Securities will be held by the Property Trustee for the benefit of the holders of the Trust Securities. The Trust Agreement does not permit the Trust to acquire any assets other than the Company Preferred Securities, to issue any securities other than the Trust Securities or to incur any indebtedness for borrowed money. The payment of Dividends out of money held by the Trust, and payments out of money held by the Trust upon redemption of the Trust Preferred Securities or liquidation of the Trust, are irrevocably and unconditionally guaranteed by the Bank to the extent described under “Description of the Subordinated Guarantees.”

On or before the Issue Date, the Property Trustee, on behalf of the Trust, will enter into an agency agreement (the “Agency Agreement”) with The Bank of New York, as the principal paying agent and transfer agent for the Trust Preferred Securities (the “Principal Paying Agent”) and BNP Paribas Luxembourg as the Luxembourg paying agent for the Trust Preferred Securities (the “Luxembourg Paying Agent” and, together with the Principal Paying Agent, the “Paying Agents”).

Dividends

Periodic cash distributions (“Dividends”) on the Company Preferred Securities received by the Trust from the Company or the Bank pursuant to the Subordinated Guarantees will be passed through by the Trust as distributions on the Trust Preferred Securities upon (and subject to) their receipt by the Trust.

For a description of dividend payments on the Company Preferred Securities, see “Description of the Company Securities—Dividends.”

Payment of Additional Amounts

All payments in respect of the Trust Preferred Securities made by or on behalf of the Trust will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature, imposed or levied by or on behalf of the Republic of Italy, the United States or any jurisdiction where an Eligible Borrower, an issuer of Eligible Investments other than an Eligible Borrower, or a relevant Paying Agent, is located (each, a “Relevant Jurisdiction”) or any authority therein or thereof having power to tax (collectively, “Relevant Tax”) payable by or on behalf of the Trust will pay such additional amounts included in the distributions otherwise then due and payable (“Additional Amounts”) as may be necessary in order that the net amounts received by the holders or beneficial owners of the Trust Preferred Securities after such withholding or deduction, will equal the amount which would have been received in respect of the Trust Preferred Securities in the absence of such withholding or deduction, except that no such Additional Amounts will be payable to a holder or beneficial owner of Trust Preferred Securities with respect to any Trust Preferred Securities or Company Preferred Securities to the extent that such Relevant Tax is imposed or levied by virtue of such holder (or the beneficial owner) of such Trust Preferred Securities or Company Preferred Securities other than the Trust, (1) having some connection with the Relevant Jurisdiction, other than being a holder (or beneficial owner) of such Trust Preferred Securities or (2) not having made a declaration of non-residence in, or other lack of connection with, the Relevant Jurisdiction or any similar claim for exemption, if the Bank or its agent has provided the beneficial owner of such Trust Preferred Securities or its nominee with at least 60 days’ prior written notice of an opportunity to make such a declaration or claim.

Trust Enforcement Events

The occurrence, at any time, of: (1) non-payment of Dividends on the Trust Preferred Securities for any Dividend Period; (2) a default by the Bank in respect of any of its obligations under the Trust

Subordinated Guarantee; or (3) a Company Enforcement Event (as defined below under “Description of the Company Securities—Company Preferred Securities—Company Enforcement Events”) with respect to the Company Preferred Securities will constitute an enforcement event under the Trust Agreement with respect to the Trust Securities (a “Trust Enforcement Event”); *provided, that*, pursuant to the Trust Agreement, the holder of the Trust Common Securities will be deemed to have waived any Trust Enforcement Event with respect to the Trust Common Agreement (see “—Payments”). See “Description of the Company Securities—Company Preferred Securities—General,” “Description of the Company Securities—Redemption and Repurchase of Company Preferred Securities—Optional Redemption” and “—Redemption and Repurchase of Company Preferred Securities—Company Special Events.” Upon the occurrence of any partial redemption the Trust will notify or cause the Luxembourg Stock Exchange to be notified of the remaining outstanding aggregate liquidation preference of the Trust Preferred Securities. The Company Agreement provides that if a partial redemption of the Company Preferred Securities would result in a delisting of the Trust Preferred Securities on any securities exchange or automated quotation system on which the Trust Preferred Securities are then listed or quoted, the Company will redeem the Company Preferred Securities only in whole. Any Company Preferred Securities or Trust Securities that are redeemed will be cancelled and not reissued following their redemption.

If, at any time, a Trust Special Event shall occur and be continuing, the Regular Trustees shall, within 90 days following the occurrence of such Trust Special Event, elect to either (1) dissolve the Trust upon not less than 30 nor more than 60 days’ notice to the holders of the Trust Securities, Euroclear and Clearstream Luxembourg, with the result that, after satisfaction of liabilities to creditors of the Trust, if any, Company Preferred Securities would be distributed on a *pro rata* basis to the holders of the Trust Securities in liquidation of such holders’ interest in the Trust, *provided, however*, that, if at the time there is available to the Trust the opportunity to eliminate, within such 90-day period, the Trust Special Event by taking some ministerial action, such as filing a form or making an election, or pursuant to some other similar reasonable measures which in the sole judgment of the Bank has, or will cause, no adverse effect on the Company, the Trust, the Bank or the holders of the Trust Securities and will involve no material costs, the Trust will pursue such measure in lieu of dissolution or (2) cause the Trust Preferred Securities to remain outstanding, *provided that*, in the case of this clause (2), the Bank shall pay any and all costs and expenses incurred or payable by the Trust attributable to the Trust Special Event.

If the Trust gives a notice of redemption in respect of Trust Preferred Securities (which notice will be irrevocable), then, by 12:00 p.m., New York City time, on the applicable Redemption Date, provided that the Company has paid to the Property Trustee a sufficient amount of cash in connection with the related redemption of the Company Preferred Securities, the Trust will irrevocably deposit with the Paying Agents funds sufficient to pay the applicable Redemption Price and will give the Paying Agents irrevocable instructions and authority to pay the applicable Redemption Price to the holders of the Trust Preferred Securities represented by global securities and will irrevocably deposit with the Property Trustee funds sufficient to pay such Redemption Price in respect of any Trust Preferred Securities in certificated form and will give the Paying Agents irrevocable instructions and authority to pay such amount to the holders thereof on surrender of their certificates, See “—Form, Denomination and Transfer.” If notice of redemption shall have been given and funds deposited as required, then immediately prior to the close of business on the date of such deposit, all rights of holders of such Trust Preferred Securities so called for redemption will cease, except the right of the holders of such Trust Preferred Securities to receive the applicable Redemption Price (but without interest on such Redemption Price). In the event that payment of the applicable Redemption Price in respect of Trust Preferred Securities is improperly withheld or refused and not paid either by the Trust, or by the Bank pursuant to the Trust Subordinated Guarantee, distributions on such Trust Preferred Securities will continue to accrue at the then applicable rate from the original Redemption Date to the date of payment. In which case the actual payment date will be considered the date fixed for redemption for purposes of calculating the applicable Redemption Price.

In the event that fewer than all of the outstanding Trust Preferred Securities are to be redeemed, the Trust Preferred Securities will be redeemed *pro rata*.

So long as any Company Preferred Securities are outstanding, neither the Bank nor any of its affiliates will be entitled to redeem, repurchase or otherwise acquire, or set apart funds for the redemption, repurchase or other acquisition of, any Parity Securities or Junior Shares, through a sinking fund or otherwise (other than (A) as a result of a reclassification of the share capital of the

Bank or such Subsidiary or the exchange or conversion of one class or series of such share capital for another class or series of such share capital, (B) the purchase of fractional interests in the share capital of the Bank or any such Subsidiary pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (C) in connection with the satisfaction by the Bank or any Subsidiary of its obligations under any employee benefit plan or similar arrangement, or (D) in connection with transactions effected by or for the account of customers of the Bank or any of its affiliates or in connection with the distribution, trading or market-making in respect of such securities) unless and until (A) full Dividends on all Company Preferred Securities for the prior financial year (or such lesser period during which the Company Preferred Securities have been outstanding) and any Dividend Periods that have occurred during the current financial year have been paid or a sum sufficient for payment has been paid to the Paying Agents for payment of such Dividends and (B) the Company has declared dividends on the Company Preferred Securities in full at the Dividend Rate for the then current Dividend Period or sufficient funds have been paid to the Paying Agents for payment of such Dividends. It is an obligation of the Bank to ensure that the Subsidiaries observe the foregoing limitations.

If the Company Preferred Securities are distributed to the holders of the Trust Preferred Securities pursuant to a Trust Liquidation (as defined below) (see “—Liquidation Distribution Upon Dissolution”), the Bank and the Company will notify such holders prior to such distribution in accordance with the provisions set forth in “General Listing Information—Notices.” If the Company Preferred Securities are distributed to such holders, the Bank will use its commercially reasonable efforts to cause the Company Preferred Securities listed on the Luxembourg Stock Exchange or on such other international securities exchange or similar organisation as the Trust Preferred Securities are then listed or quoted. The Company Preferred Securities presently are not listed on the Luxembourg Stock Exchange or any other securities exchange, See “Investment Considerations—Optional Redemption Upon the Occurrence of an Company Special Event or Trust Special Event—Liquidation of the Trust Upon Occurrence of a Trust Special Event.”

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

Purchases of Trust Preferred Securities

The Bank or any of its affiliates may at any time and from time to time, with prior approval of the Bank of Italy (if then required), subject to compliance with applicable Italian regulatory requirements, purchase outstanding Trust Preferred Securities by tender in the open market or by private agreement. If purchases are made by tender, the tender must be available to all holders of Trust Preferred Securities.

Subordination of Trust Common Securities

Upon and during the continuance of an event of default under the Subordinated Deposits or the Subordinated Guarantees and upon liquidation, dissolution, winding-up or termination of the Trust, holders of the Trust Preferred Securities will have a preference over holders of the Trust Common Securities as to Dividend payments and other payments.

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

Liquidation Preference

In the event of any voluntary or involuntary, dissolution, liquidation, winding-up or termination of the Trust, (each a “Trust Liquidation”), holders of the Trust Preferred Securities will be entitled to receive a corresponding number of the Company Preferred Securities with an equivalent aggregate liquidation preference.

Pursuant to the Trust Agreement, the Trust shall dissolve (1) upon bankruptcy, insolvency, liquidation or dissolution of the Bank or the Company; (2) upon the filing of a certificate of cancellation with respect to the Company; (3) upon the consent of at least a majority of the outstanding Trust Securities, voting together as a single class, to file a certificate of cancellation with respect to the Trust; (4) upon the election of the Regular Trustees, following the occurrence of a Trust Special Event, to dissolve the Trust; (5) upon the entry of a decree of a judicial dissolution of the Company or the Trust; or (6) upon the redemption of all of the Trust Securities *provided, however* that the Trust shall, to the fullest extent permitted by law, not be dissolved until (x) all claims under the Subordinated Guarantees shall have been paid in full or (y) the Company Preferred Securities shall have been distributed to holders of the Trust Securities in connection with the occurrence of a Trust Special Event.

Voting Rights

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

Subject to the requirement of the Property Trustee obtaining a tax opinion as set forth in the last sentence of this paragraph, so long as a default by the Bank under either of the Subordinated Guarantees or by the Company under the Company Preferred Securities is continuing, holders of a majority of the outstanding Trust Preferred Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Property Trustee, or direct the exercise of any trust power conferred upon the Property Trustee under the Trust Agreement, including the right to direct the Property Trustee, as holder of the Company Preferred Securities: (1) to exercise the remedies available to it under the Company Agreement as a holder of the Company Preferred Securities; (2) to consent to any amendment, modification or termination of the Company Agreement or the Company Preferred Securities where such consent shall be required; *provided however*, that, where a consent or action under the Company Agreement would require the consent or act of the holders of more than a majority of the Company Preferred Securities affected thereby, only the holders of the percentage of the aggregate liquidation preference of the Trust Securities which is at least equal to the percentage of the aggregate liquidation preference of the Company Preferred Securities required under the Company Agreement may direct the Property Trustee to give such consent or take such action on behalf of the Trust; and (3) to direct the Independent Directors with respect to matters (including enforcement of the Subordinated Deposits) for which the Independent Directors act on behalf of the Property Trustee, as holder of the Company Preferred Securities. See “Description of the Company Securities—Company Preferred Securities—Voting Rights.” Except with respect to directing the time, method and place of conducting a proceeding for a remedy as described above, the Property Trustee shall be under no obligation to take any of the actions described in clauses (1), (2) or (3) above unless the Property Trustee has obtained an opinion of an independent nationally recognised law firm in the United States experienced in such matters to the effect that, as a result of such action, the Trust will not fail to be classified as a grantor trust for United States federal income tax purposes and that after such action each holder of the Trust Securities will continue to be treated as owning an undivided beneficial ownership interest in the Company Preferred Securities.

Any required approval or direction of holders of Trust Preferred Securities may be given at a separate meeting of holders of Trust Preferred Securities convened for such purpose, at a meeting of all of the holders of Trust Securities or pursuant to a written consent. The Regular Trustees will cause a notice of any meeting at which holders of Trust Preferred Securities are entitled to vote, or of any matter upon which action by written consent of such holders is to be taken, to be mailed to each holder of record of Trust Preferred Securities. See “—Notices.” Each such notice will include a statement setting forth the following information: (1) the date of such meeting or the date by which such action is to be taken; (2) a description of any resolution proposed for adoption at such meeting on which such holders are entitled to vote or of such a matter upon written consent is sought; and

(3) instructions for the delivery of proxies or consents. No vote or consent of the holders of Trust Preferred Securities will be required for the Trust to redeem and cancel Trust Preferred Securities or distribute Company Preferred Securities to such holders in accordance with the Trust Agreement.

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

The procedures by which holders of Trust Preferred Securities may exercise their voting rights are described below. See “—Form, Denomination and Transfer.”

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

Holders of the Trust Preferred Securities also have rights of direct action against the Bank in certain circumstances as described in “—Trust Enforcement Events” above, “Description of the Company Securities—Company Preferred Securities—Company Enforcement Events” and “Description of the Subordinated Guarantees Enforcement.”

Merger, Consolidation, Conversion or Amalgamation of the Trust

The Trust may not consolidate, amalgamate, convert or merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any corporation or other entity, except as described below. The Trust may, at the request of the holder of the Trust Common Securities, with the consent of a majority of the Regular Trustees and without the consent of the holders of the Trust Preferred Securities, the Property Trustee or the Delaware Trustee, consolidate, amalgamate, merge with or into, or be replaced by or convey, transfer or lease its properties substantially as an entity to a trust organised as such under the laws of any State of the United States; *provided, that*, (1) if the Trust is not the surviving entity, such as successor entity either (x) expressly assumes all of the obligations of the Trust under the Trust Securities or (y) substitutes for the Trust Securities other securities having substantially the same terms as the Trust Securities (the “Successor Securities”), so long as the Successor Securities rank the same as the Trust Securities rank with respect to distributions, assets and payments upon liquidation, redemption and otherwise, (2) the Company expressly acknowledges a trustee of such successor entity possessing the same powers and duties as the Property Trustee as the holder of the Company Preferred Securities, (3) the Trust Preferred Securities or any Successor Securities will continue to be listed or quoted, or any Successor Securities will be listed or quoted upon notification of issuance, on any securities exchange, automated quotation system or similar organisation on which the Trust Preferred Securities are then listed or quoted, (4) such consolidation, amalgamation, merger, conversion, replacement, conveyance, transfer or lease does not cause the Trust Preferred Securities (including and Successor Securities) to be downgraded by any rating agency then rating the Trust Preferred Securities, (5) such consolidation, amalgamation, merger, conversion, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the holders of the Trust Preferred Securities (including any Successor Securities) in any material respect, (6) such successor entity has a purpose substantially identical to that of the Trust, (7) the Bank guarantees the obligations of such successor entity under any Successor Securities to the same extent as provided by the Trust Subordinated Guarantee and (8) prior to such consolidation, amalgamation, merger, conversion, replacement, conveyance, transfer or lease, the Bank has received an opinion of an independent nationally recognised law firm in the United States experienced in such matters to the effect that: (A) such consolidation, amalgamation, merger, conversion, replacement, conveyance, transfer or lease will not adversely affect the rights, preferences and privileges of the holders of the Trust Preferred Securities (including any Successor Securities) in any material respect, (B) following such consolidation, amalgamation, merger, conversion, replacement, conveyance, transfer

or lease, (1) neither the Trust nor such successor entity will be required to register as an investment company under the 1940 Act, (2) the Trust (or such successor entity) will continue to be classified as a grantor trust for United States federal income tax purposes, (3) the Trust (or such successor entity) will not be classified as a foreign trust for United States federal income tax purposes and (4) the Company (and such successor entity) will not be classified as an association or a publicly traded partnership taxable as a corporation for United States federal income tax purposes. Notwithstanding the foregoing, the Trust shall not, except with the consent of holders of 100% of the Trust Preferred Securities outstanding, consolidate, amalgamate, convert, or merge with or into, or be replaced by any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or replace it, if such consolidation, amalgamation, conversion, merger, replacement, conveyance, transfer or lease would cause the Trust or the successor entity not to be classified as a grantor trust for United States federal income tax purposes.

Modification of the Trust Agreement

The Trust Agreement may be modified and amended if approved by a majority of the Regular Trustees (and in certain circumstances the Property Trustee and the Delaware Trustee), *provided, that*, if any proposed amendment provides for, or the Regular Trustees otherwise propose to effect, (1) any action that would materially and adversely affect the powers, preferences or special rights of the Trust Securities, whether by way of amendment to the Trust Agreement or otherwise, or (2) the dissolution, winding-up or termination of the Trust other than pursuant to the terms of the Trust Agreement, then in each case the holders of the Trust Securities voting together as a single class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of at least a majority of the holders of any outstanding Trust Securities affected thereby; *provided, further*, that if any proposed amendment provides for or the Regular Trustees propose (x) a change in the amount or timing of any Dividend on the Trust Securities or otherwise adversely affects the amount of any Dividend required to be paid in respect of Trust Securities as of a specified date or (y) a restriction in the right of a holder of Trust Securities to institute suit for the enforcement of any payment on the Trust Securities, then such amendment or proposal shall not be effective except with approval of 100 per cent of the holders of the outstanding Trust Securities; *provided, further*, that if any amendment or proposal referred to in clause (1) above would adversely affect only the Trust Preferred Securities or the Trust Common Securities, then only holders of the affected securities will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of a majority of holders of such securities.

The Trust Agreement may be amended without the consent of the holders of the Trust Securities to (1) cure any ambiguity, (2) correct or supplement any provision in the Trust Agreement that may be inconsistent with any other provision of the Trust Agreement or to add any other provision with respect to matters or questions arising under the Trust Agreement that shall not be inconsistent with the other provisions of the Trust Agreement, (3) add to the covenants, restrictions or obligations of the Bank or the Trust, (4) conform to any change in the 1940 Act or the rules or regulations thereunder and, (5) modify, eliminate and add to any provision of the Trust Agreement to such extent as may be necessary or desirable to ensure that at all times that any Trust Securities are outstanding, (x) the Trust will be classified as a domestic grantor trust and not a business entity for United States federal income tax purposes and (y) the Trust will not be required to register as an investment company under the 1940 Act; *provided, that*, no such amendment shall have a material adverse effect on the rights, preferences or privileges of the holders of the Trust Securities and any such amendment shall become effective when notice thereof is given to the holders of the Trust Preferred Securities in accordance with “—Notices.”

Notwithstanding the foregoing, no amendment or modification may be made to the Trust Agreement, if such amendment or modification would (1) cause the Trust to fail to be classified as a grantor trust for United States federal income tax purposes, (2) cause the Trust to be classified as a foreign trust for United States federal income tax purposes, (3) cause the Company to be classified as an association or publicly traded partnership taxable as a corporation for such purposes, (4) reduce or otherwise adversely affect the powers of the Property Trustee, (5) cause the Trust or the Company to be required to register under the 1940 Act or (6) cause the Trust Preferred Securities to fail to qualify as consolidated Tier 1 capital of the Bank or the Subordinated Deposits to qualify as or stand alone Tier 1 capital for the Bank.

Form, Denomination and Transfer

General

The Trust Preferred Securities will be issued in the form of a temporary registered global certificate (the “Temporary Global Certificate”). Beneficial interests in the Temporary Global Certificate will be exchanged for beneficial interests in a registered permanent global certificate (the “Permanent Global Certificate” and together with the Temporary Global Certificate the “Global Securities”) upon the expiration of the 40 day period beginning on the later of the commencement of the offering and the Issue Date (the “restricted period”).

The Global Securities will be deposited upon issuance with the Common Depositary for Euroclear and Clearstream Luxembourg. Beneficial interests in the Permanent Global Certificate may be exchanged for definitive Trust Preferred Securities (at the cost and expense of the Bank) if and only if the Trust Preferred Securities cease to be eligible for clearance through Euroclear and Clearstream Luxembourg or if either Euroclear or Clearstream Luxembourg (or their respective successors) is closed for business for a continuous period of 14 calendar days (other than by reason of holidays, statutory or otherwise) or otherwise permanently ceases business or announces an intention permanently to cease business. In such case, the Regular Trustees will cause definitive Trust Preferred Security Certificates to be issued and delivered, in full exchange for the Permanent Global Certificate, to Euroclear and Clearstream Luxembourg for the accounts of the holders of interests in the Permanent Global Certificate. All definitive Trust Preferred Security Certificates will be security-printed, and will be issued in a minimum liquidation preference of €1,000 per Trust Preferred Security. No definitive Trust Preferred Security Certificates delivered in exchange for a Permanent Global Certificate will be mailed or otherwise delivered to any location in the United States in connection with such exchange. An exchange for definitive Trust Preferred Security Certificates will be made at no charge to the holders of the interests in the Permanent Global Certificate being exchanged. Notwithstanding the foregoing, from and after such time as definitive Trust Preferred Security Certificates are issued in exchange for the Permanent Global Certificate, any remaining interest in the Temporary Global Certificate will be exchangeable only for definitive Trust Preferred Security Certificates. Until exchanged in full, the holder of an interest in any Global Certificate shall in all respects be entitled to the same benefits as the holder of definitive Trust Preferred Security Certificates.

Upon surrender of the relevant Global Certificate by the Common Depositary, the Regular Trustees shall cause definitive Trust Preferred Security Certificates to be delivered to Trust Preferred Securityholders in accordance with the instructions of such Common Depositary. None of the Trust nor the Trustees shall be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be protected in relying on, such instructions.

A definitive Trust Preferred Security Certificate may be transferred or exchanged upon the surrender of the definitive Trust Preferred Security Certificate to be transferred or exchanged, together with the completed and executed assignment, at the specified office of the Registrar or, any transfer agent (which shall include a transfer agent having its specified office in Luxembourg so long as any Trust Preferred Securities are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require). New certificates will be dispatched to holders within five business days of such surrender and assignment.

Definitive Trust Preferred Security Certificates will be transferred or exchanged at the offices of the Registrar as set forth in the Agency Agreement. No service charge will be imposed for any registration of transfer or exchange, but payment of a sum sufficient to cover any tax or other governmental charge imposed in connection therewith may be required. Holders of definitive Trust Preferred Security Certificates in Luxembourg will be able to effect transfers by delivery of the definitive Trust Preferred Security Certificates to Deutsche Bank Luxembourg S.A., with instructions for the transfer of all or part thereof to the proposed transferee thereof.

Transfers Within Global Securities

Subject to the procedures and limitations described below under “—Global Securities” and “—Payments; Certificates by Holders of the Temporary Global Certificate,” transfers of beneficial interests within a global security may be made without delivery to the Bank, the Trust or the Property Trustee of any written certifications or other documentation by the transferor or transferee.

Global Securities

The laws of some jurisdictions require that some purchasers of securities take physical delivery of securities in definitive form. Those laws may impair the ability to transfer beneficial interests in the Trust Preferred Securities so long as the Trust Preferred Securities are represented by Global Securities.

Beneficial interests in and transfers of Global Securities will be shown on records maintained by, and payments on Global Securities will be made to beneficial owners through, the clearing systems that hold the Global Securities and their participants. The initial clearing systems for the Global Securities are Euroclear and Clearstream Luxembourg.

Owners of beneficial interests in Global Securities will not be considered the owners or holders of the Trust Preferred Securities under the Trust Agreement. Accordingly, to exercise any rights of a holder of Trust Preferred Securities, each beneficial owner must rely on the procedures of the clearing system that holds the Global Securities in which that beneficial owner has an interest and, if such owner is not a direct participant in such clearing system, on the participant and any other intermediaries through which such owner holds its beneficial interest.

The information set out below in connection with Euroclear and Clearstream Luxembourg is subject to any change in or reinterpretation of the rules, regulations and procedures of the clearing systems currently in effect. The Bank accepts responsibility for the correct extraction of the information about each of them set forth below which it has obtained from sources that it believes to be reliable. The Bookrunner does not take any responsibility for the accuracy of the information. Neither the Bank nor the Trust, the Company or the Bookrunner will have any responsibility or liability for any aspect of the records relating to, or payments made on account of interests in Trust Preferred Securities held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments: Certifications by Holders of the Temporary Global Certificate

On or after the restricted period, a certificate must be provided by or on behalf of a holder of a beneficial interest in a Temporary Global Certificate to the Principal Paying Agent, certifying that the beneficial owner of the interest in the Temporary Global Certificate is not a US person. Unless such certificate is provided, (1) the holder of such beneficial interest will not receive any payments with respect to such holder's beneficial interest in the Temporary Global Certificate, (2) such beneficial interest may not be exchanged for a beneficial interest in the Permanent Global Certificate and (3) settlements of trades with respect to such beneficial interest will be suspended.

Clearstream Luxembourg and Euroclear

Clearstream Luxembourg and Euroclear have advised the Bank as follows:

Clearstream Luxembourg

Clearstream Luxembourg is incorporated under the laws of Luxembourg as a professional depository. Clearstream Luxembourg holds securities for Clearstream Luxembourg participants (as defined below) and facilitates the clearance and settlement of securities transactions between Clearstream Luxembourg participants through electronic book-entry changes in accounts of Clearstream Luxembourg participants, thereby eliminating the need for physical movement of certificates. Clearstream Luxembourg provides to Clearstream Luxembourg participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream Luxembourg interfaces with domestic markets in several countries. As a professional depository, Clearstream Luxembourg is subject to regulation by the Luxembourg Monetary Institute. Clearstream Luxembourg participants are recognised financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations and may include the Bookrunner ("Clearstream Luxembourg participants"). Indirect access to Clearstream Luxembourg is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain custodial relationship with a Clearstream Luxembourg participant either directly or indirectly.

Distributions with respect to Trust Preferred Securities held beneficially through Clearstream Luxembourg will be credited to cash accounts of Clearstream Luxembourg participants in accordance with its rules and procedures, to the extent received by Clearstream Luxembourg.

Euroclear

Euroclear was created in 1968 to hold securities for Euroclear participants (as defined below) and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear includes various other services, including securities lending and borrowing and interfaces with domestic markets in several countries. Euroclear is operated by Euroclear Bank S.A./N.V. (the “Euroclear operator”), under contract with Euroclear Clearance Systems S.C., a Belgium cooperative corporation (the “cooperative”). All operations are conducted by the Euroclear operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear operator, not the cooperative. The cooperative establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the Bookrunner (“Euroclear participants”). Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

The Euroclear operator is the Belgian branch of a New York banking corporation which is a member bank of the Federal Reserve System. As such, it is regulated and examined by the Federal Reserve and the New York State Banking Department, as well as the Belgian Banking Commission.

Securities clearance accounts and cash accounts with the Euroclear operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the “Euroclear terms and conditions”). The Euroclear terms and conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear and receipts of payment with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear operator acts under the Euroclear terms and conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

Distributions with respect to Trust Preferred Securities held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Euroclear terms and conditions, to the extent received by the Euroclear operator and by Euroclear.

Euroclear and Clearstream Luxembourg Arrangements

Distributions with respect to the Global Securities will be credited to the extent received by Euroclear or Clearstream Luxembourg from the Principal Paying Agent, to the cash accounts of Euroclear or Clearstream Luxembourg customers in accordance with the relevant clearing system’s rules and procedures.

The holdings of book-entry interests in the Global Securities through Euroclear and Clearstream Luxembourg will be reflected in the book-entry accounts of each such institution. As necessary, the registrar or its agent will adjust the amounts of the Global Securities on the register for the accounts of The Bank of New York Depository (Nominees) Limited (the “register”) to reflect the amounts of Trust Preferred Securities held through Euroclear and Clearstream Luxembourg.

Payments

As long as the Trust Preferred Securities are in book-entry form, payments on the Trust Preferred Securities will be made by the paying agent to the Common Depositary, which will credit the relevant accounts at Euroclear and Clearstream Luxembourg on the scheduled payment dates. The payments will be distributed by Euroclear and Clearstream Luxembourg to their respective accountholders as described under “—Euroclear and Clearstream Luxembourg Arrangements” above.

If definitive Trust Preferred Securities are issued in the limited circumstances described above, payments on the Trust Preferred Securities will be made by cheque mailed to the address of the holder entitled to receive the payment as such address appears on the Trust’s register.

Notices

Notices to the holders of the Trust Preferred Securities will be given by delivery of the relevant notice to Euroclear, Clearstream Luxembourg and any other relevant securities clearing system for communication by each of them to participants, and so long as the Trust Preferred Securities are listed on one or more stock exchanges and the rules of such stock exchange(s) so require, notice shall also be published in such manner as the rules of such stock exchange(s) may require. See “General Listing Information—Notices.”

Governing Law; Submission to Jurisdiction

The Trust Agreement and the Trust Preferred Securities will be governed by, and construed in accordance with, the laws of the State of Delaware.

In relation to any legal action or proceedings arising out of or in connection with the issuance of the Trust Preferred Securities, each of the Bank, the Company and the Trust has irrevocably submitted to the jurisdictions of the courts of England, and has appointed Clifford Chance Secretaries Limited at its registered office, from time to time, presently at 200 Aldersgate Street, London EC1A 4JJ, United Kingdom, as its agent for service of process in England, and the courts of the State of New York and the United States Federal District Court located in the Borough of Manhattan in The City of New York, and has appointed CT Corporation, presently of 111 Eighth Avenue, 13th Floor, New York, NY 10011, U.S.A. as its agent for service of process in New York. Further, the Bank, the Company and the Trust will agree to waive (i) any objection which it may have at any time to the laying of venue of any proceeding brought in any such court, (ii) any claim that such proceedings have been brought in an inconvenient forum and (iii) the right to object, with respect to such proceeding, that such court does not have any jurisdiction over such party.

Miscellaneous

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

DESCRIPTION OF THE COMPANY SECURITIES

The following summary sets forth the material terms and provisions of the Company Securities. All of the Company Common Securities will be initially owned by the Bank and all of the Company Preferred Securities will be initially owned by the Trust. See “Description of the Trust Securities.” The Company Agreement prohibits the Company from incurring indebtedness for borrowed money or issuing any debt securities or any class or series of securities other than the Company Common Securities and the Company Preferred Securities. This summary is qualified in its entirety by reference to the terms and provisions of the Company Agreement.

Company Common Securities

Any net income of the Company remaining after Dividends or other payments on the Company Preferred Securities, the payment of expenses of the Company or the purchase of additional Eligible Investments will be distributed as soon as practicable to the Bank, as holder of the Company Common Securities.

As the holder of the Company Common Securities, the Bank will provide the Company with funds necessary for payment by the Company of all the fees and expenses of the Company that are not covered by the income from the Eligible Investments. The Company will pay all fees and expenses of the Trust.

Company Preferred Securities

General

The Company Preferred Securities will rank senior to the Company Common Securities with respect to Mandatory Dividends and distributions upon redemption, and junior to the Company Common Securities with respect to distributions upon liquidation of the Company. The Company Preferred Securities will rank *pari passu* among themselves.

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

Dividends

Dividends on the Company Preferred Securities will be paid when, as and if declared (or deemed declared) by the Board of Directors of the Company, out of assets of the Company legally available for the payment of Dividends. Dividends will not be cumulative and Dividend payments will not accumulate or compound from Dividend Period to Dividend Period. This means that if Dividends are not declared or deemed declared in full or in part for any Dividend Payment Date, holders of the Company Preferred Securities (and consequently, holders of the Trust Preferred Securities) will not, and will have no right to, receive that Dividend at any time, even if Dividends are declared or deemed declared or paid in respect of any future Dividend Period.

Dividends on the Company Preferred Securities will accrue and be payable on a noncumulative basis as follows: (i) Dividends will accrue at the Fixed Dividend Rate of 9.0% of the liquidation preference of €1,000 per Company Preferred Security during each Dividend Period until the Dividend Period that begins on June 27, 2011 and will be payable, if declared or deemed declared, in arrear on the same date as the annual Dividend Payment Date of the Trust Preferred Securities and (ii) during each Dividend Period thereafter quarterly at a variable rate per annum on the liquidation preference equal to 5.4% above the Euro inter-bank offered rate for three month euro deposits (“EURIBOR”) (the “Floating Dividend Rate”).

Dividends at the Fixed Dividend Rate will be payable, if declared or deemed declared by the Company’s Board of Directors (the “Board”), annually in arrear on June 27 of each year commencing June 27, 2002 to and including June 27, 2011, and thereafter quarterly in arrear on each September 27, December 27, March 27 and June 27, commencing September 27, 2011 (each a “Dividend Payment Date”). If any of the foregoing dates is not a Business Day, then dividends will be payable on the next succeeding Business Day.

Prior to the Dividend Period that begins on June 27, 2011, Dividends on the Trust Preferred Securities and Company Preferred Securities for any period shorter than a year will be calculated on the basis of the actual number of days in the relevant calendar year and the actual number of days elapsed during the relevant Dividend Period. Dividends that are payable on each Dividend Payment Date or Redemption Date (as defined below) will be calculated on the liquidation preference of €1,000 per Trust Preferred Security on an annual basis for each such Dividend Period, from and including the immediately preceding Dividend Payment Date (or from and including June 27, 2001, with respect to the Dividends payable on June 27, 2002) to but excluding the relevant Dividend Payment Date or Redemption Date, as the case may be (each such period, a “Dividend Period”). If any Dividend Payment Date or Redemption Date on or before the Dividend Period that begins on June 27, 2011 falls on a day that is not a Business Day, the applicable Dividend or Redemption price (as defined below) will be payable on the next succeeding day that is a Business Day, without adjustment, interest or further payment as a result of the delay.

With respect to each Dividend Period commencing with the Dividend Period that begins on June 27, 2011, Dividends payable on each Dividend Payment Date will be calculated on an Actual/360 Basis determined on the EURIBOR Determination Date (as defined below) for such Dividend Period. If any of the foregoing dates is not a Business Day, then dividends will be payable on the next succeeding Business Day.

The Calculation Agent will request the principal Euro-zone office of each of the banks selected as aforesaid by the Calculation Agent to provide a quotation of its rate. If at least two such quotations are provided, EURIBOR in respect of that EURIBOR Determination Date will be the arithmetic mean of such quotations. If fewer than two quotations are provided, EURIBOR in respect of that EURIBOR Determination Date will be the arithmetic mean of the rates quoted by three major lending banks in the Euro-zone interbank market selected by the Calculation Agent as of 11:00 a.m. (Brussels time), on that EURIBOR Determination Date for loans in euro to leading European banks for a three-month period commencing on the EURIBOR Reset Date and in a principal amount equal to an amount of not less than €1,000,000 that is representative for a single transaction in such market at such time; provided, however, that if the banks selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, EURIBOR for the applicable period will be the same as EURIBOR determined on the previous EURIBOR Determination Date.

All percentages resulting from any calculation regarding Dividends on the Trust Preferred Securities will be rounded to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upwards (e.g., 9.876545% (or .09876545) would be rounded to 9.87655% (or .0987655)).

The Calculation Agent will notify the Luxembourg Stock Exchange of the Dividend Payment Date and the Dividend Rate determined for each Dividend Period.

Dividends on the Trust Preferred Securities will be payable to the holders thereof as they appear on the books and records of the Trust on the relevant record dates, which will be the 15th day (whether or not a Business Day) prior to the relevant Dividend Payment Date. Such Dividends will be paid by the Property Trustee to the applicable Paying Agent for the benefit of the relevant holders of the Trust Preferred Securities. Subject to any applicable laws and regulations and the provisions of the Trust Agreement, each such payment will be made as described under “—Form, Denomination and Transfer” below.

Mandatory Dividends. The Company will pay dividends on the Company Preferred Securities on each Dividend Payment Date occurring during the one-year period beginning on and including the date on which the Bank declares a dividend on any Junior Shares (defined below), whether or not a Capital Deficiency Event occurs, a Dividend Limitation Notice has been delivered or interest is paid on any Eligible Investment (a “Mandatory Dividend Payment Date”). If, for any reason, any Mandatory Dividend is not declared on a Mandatory Dividend Payment Date, under the terms of the Company Agreement, such Mandatory Dividend will be deemed declared and authorized to be paid on such Mandatory Dividend Payment Date.

Additionally, the Company will be required to pay dividends on the Company Preferred Securities on each Dividend Payment Date occurring during the one-year period beginning on and including the date on which the Bank or a subsidiary of the Bank either: (1) pays a Discretionary Dividend (as defined below) on any class or series of Parity Securities (other than a Discretionary Dividend on the

Company Preferred Securities) on the same Dividend Payment Date or (2) redeems, repurchases or otherwise acquires Parity Securities (other than in a Permitted Share Transaction (as defined below)). Subject to the foregoing, the amount of dividends to be paid on the Company Preferred Securities on each Required Dividend Payment Date (the “Required Dividend payment amount”) will be determined as follows: (i) if dividends or other distributions are made on Junior Shares, full dividends shall be paid; and (ii) if Discretionary Dividends or other distributions are made on Parity Securities but not Junior Shares, dividends shall be paid on a pro rata basis with such Parity Securities, to be determined by (a) calculating the Notional Dividend Amount with respect to each payment of a Discretionary Dividend on an Underlying Security during the one-year period ending on and including the relevant Dividend Payment Date and (b) aggregating the national Dividend Amounts so determined.

Discretionary Dividends. The Company may pay a Discretionary Dividend on the Company Preferred Securities or any class of Parity Securities (other than a dividend consisting only of Junior Shares) that was not required to be paid solely as a result of a dividend or other payment having been made on the Junior Shares or any other class of Parity Securities. Dividends paid on a Dividend Payment Date for the Company Preferred Securities or any Parity Securities may be partially Discretionary Dividends and partially Mandatory Dividends. Discretionary Dividends will not be payable on the Company Preferred Securities on any Dividend Payment Dates: (1) if a Capital Deficiency Event has occurred or is continuing; or (2) if the Bank as holder of the Company Common Securities delivers on or before the tenth Business Day preceding such Dividend Payment Date, a Dividend Limitation Notice (as defined below) to the Company to pay no (or less) dividends on such Dividend Payment Date. Dividends on the Company Preferred Securities will be payable on a noncumulative basis and, consequently, if a Discretionary Dividend is not due and payable as a result of a Capital Deficiency Event or Dividend Limitation Notice such Discretionary Dividend will never become due and payable on any subsequent Dividend Payment Date. The Company will be required, however, to pay on any Dividend Payment Date any Mandatory Dividend Payment Amount regardless of whether a Capital Deficiency Event has occurred or a Dividend Limitation Notice has been delivered.

Payment of Company Additional Amounts

The Company will pay such additional amounts (“Company Additional Amounts”) to each holder of the Company Preferred Securities as may be necessary so that every payment in respect of the Trust Preferred Securities, after withholding for any Relevant Tax payable by or on behalf of the Company, will not be less than the amount otherwise required to be paid, subject to certain exceptions described herein.

Voting Rights

Except as described below, or as expressly required by applicable law, the Company Preferred Securities will have no voting rights.

Upon the occurrence of a Capital Deficiency Event or if, for any Dividend Period, Mandatory Dividends and any Company Additional Amounts in respect of such Mandatory Dividends have not been paid in full on the Company Preferred Securities by the Company or by the Bank under the Company Subordinated Guarantee with respect to the Company Preferred Securities, then the holders of outstanding Company Preferred Securities will be entitled, by ordinary resolution passed by the holders of a majority of such securities present in person or by proxy at a separate general meeting of such holders convened for the purpose, to appoint one Special Independent Director to the Board. In addition, a majority in liquidation preference of the outstanding Company Preferred Securities will have the right to replace the Special Independent Director so long as such Capital Deficiency Event or non-payment is continuing.

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

Notwithstanding that holders of Company Preferred Securities are entitled to vote or consent under the limited circumstances described above, any Company Preferred Securities that are beneficially owned at such time by the Bank or any entity directly or indirectly controlled by, or under direct or indirect common control with, the Bank shall not be entitled to vote or consent and shall, for purposes of such vote or consent, be treated as if such Company Preferred Securities were not

outstanding, except for the Company Preferred Securities purchased or acquired by the Bank or any of its affiliates in connection with transactions effected by or for the account of customers of the Bank or any of its affiliates or in connection with the distribution, trading or market-making in respect of such securities; *provided, however*, that persons (other than affiliates of the Banks) to whom the Bank or any of its affiliates have pledged Company Preferred Securities may vote or consent with respect to such pledged Company Preferred Securities pursuant to the terms of such pledge.

Company Enforcement Events

If one or more of the following events shall occur and be continuing (each, a “Company Enforcement Event”): (1) non-payment of Dividends on the Company Preferred Securities for any Dividend Period; (2) a default by the Bank in respect of any of its obligations under the Company Subordinated Guarantee; or (3) an event of default with respect to any Subordinated Deposit occurs and is continuing, then the Property Trustee, in accordance with the Trust Agreement, for so long as the Company Preferred Securities are held by the Property Trustee, will have the right, or, in the event the Property Trustee does not hold the Company Preferred Securities, holders of the outstanding Company Preferred Securities will be entitled, by ordinary resolution passed by the holders of a majority of such Company Preferred Securities present in person or by proxy at a separate meeting of such holders convened for the purpose, to enforce the terms of the Company Preferred Securities under the Company Agreement, including the right to direct the Independent Directors to enforce:

- the Company creditors’ rights and other rights with respect to the Subordinated Deposits;
- the rights of the holders of the Company Preferred Securities under the Company Subordinated Guarantee; and
- the rights of the holders of the Company Preferred Securities to receive Dividends (to the extent declared or deemed declared) on the Company Preferred Securities.

In addition, in the event of a Company Enforcement Event, the Property Trustee, or in the event the Property Trustee does not hold the Company Preferred Securities, holders of the outstanding Company Preferred Securities, shall have the right to enforce the terms of the Company Subordinated Guarantee with respect to the Company Preferred Securities.

In the case of a Company Enforcement Event set forth in clause (1) above, the Company may cure such Company Enforcement Event by making Dividend payments in full on the Company Preferred Securities on each Dividend Payment Date for 12 consecutive months.

If the Independent Directors fail to enforce the Company rights under the Subordinated Deposits or those of the holders of the Company Preferred Securities under the Company Subordinated Guarantee after a holder of the Company Preferred Securities has made a written request to an Independent Director for such enforcement, such holder may directly institute a legal proceeding against the Eligible Borrower to enforce the rights of the Company under the Subordinated Deposits or against the Bank to enforce the rights of such holders under the Company Subordinated Guarantee without first instituting any legal proceeding against the Independent Directors, the Company or any other person or entity. In any event, if a Company Enforcement Event has occurred and is continuing and such event is attributable to the failure of an Eligible Borrower to make any required payment when due on any Subordinated Deposit, then a holder of Company Preferred Securities may on behalf of the Company directly institute a proceeding against such Eligible Borrower with respect to such Subordinated Deposit for enforcement of payment. In such circumstances, a holder of Company Preferred Securities may also bring a direct action against the Bank to enforce such holder’s right under the Company Subordinated Guarantee.

Notwithstanding the foregoing, under no circumstances shall the Independent Directors have authority to cause the Board to declare Dividends on the Company Preferred Securities to the extent such Dividends are not required to be declared. As a result, although the Independent Directors may be able to enforce the Company creditors’ right to receive payments in respect of the Subordinated Deposits and the Company Subordinated Guarantee, the Company would be entitled to reinvest such payments in additional Subordinated Deposits, subject to satisfying certain reinvestment criteria described herein, or other Eligible Investments, rather than making distributions on the Company Preferred Securities. Any member of the Board, including the Independent Directors, shall not, by virtue of acting in such capacity, be admitted as a member of the Company or otherwise be deemed to

be a member of the Company and shall have no liability for the debts, obligations or liabilities of the Company.

Independent Director Approval

The Company Agreement will provide that, for as long as any Company Preferred Securities are outstanding, there will at all times be a member of the Board that is not an employee, non-independent director or affiliate of the Bank or any of its affiliates and who shall act, to the fullest extent permitted by law, exclusively on behalf of the holders of the Company Preferred Securities (the “Regular Independent Director”).

The Company Agreement provides that, for so long as any Company Preferred Securities are outstanding, the Regular Independent Director, acting alone and without the vote or consent of the other members of the Board, has the right and obligation on behalf of the Company to enforce and otherwise act on behalf of the Company with respect to the Subordinated Deposits and the Company Subordinated Guarantee. The Company Agreement provides that, to the fullest extent permitted by law, the Regular Independent Director will consider only the interests of the holders of Company Preferred Securities in determining whether any proposed action requiring their approval is in the best interests of the Company; *provided, that*, so long as the Company Preferred Securities are held by the Trust, the Regular Independent Director will be obligated to exercise its powers so as not to alter the material economic features of the Company Preferred Securities.

So long as any Company Preferred Securities are outstanding, certain actions (the “Designated Actions”) by the Company must be approved by the Regular Independent Director as well as by a majority of the entire Board. The Designated Actions include: (1) the payment of Dividends or the making of distributions on the Company Common Securities other than in accordance with the Company Agreement; (2) the conversion of the Company into another type of entity or the consolidation or merger of the Company into any other entity, the consolidation or merger of any other equity with or into the Company or the sale of all or substantially all of the assets of the Company other than in accordance with the Company Agreements; (3) to the fullest extent permitted by law, any dissolution, liquidation, or winding-up of the Company that is not concurrent with the dissolution, liquidation or winding-up of the Bank; (4) any amendment, modification, renewal or replacement of the Company Preferred Securities, the Company Subordinated Guarantee, the Subordinated Deposits or the Derivative Contracts (or any other security, contract obligation, agreement or instrument that is an asset of the Company) which adversely affects the powers, preferences or special rights of the Company Preferred Securities in any material respect; (5) the approval of the direct or indirect sale, transfer or other disposition by the Bank of the Company Common Securities other than to a branch of the Bank or to a subsidiary of the Bank that is deemed to be a “company controlled by the parent company” under Rule 3a-5 of the 1940 Act; and (6) any other action by the Company or the Bank that could reasonably be expected to adversely affect the interests of the holders of the Company Preferred Securities or the Trust Securities in any material respect.

The Regular Independent Director, acting alone and without the vote or consent of the other members of the board (other than any Special Independent Director), will be entitled to take any and all such actions on behalf of the Company in respect of the Subordinated Deposits, the Company Subordinated Guarantee or any other right or remedy or course of action available to the Company against the Bank or any other party; *provided, however*, that, unless otherwise required by law to do so, the Regular Independent Director shall not take any action if otherwise directed by the Property Trustee as the holder of the Company Preferred Securities.

Redemption and Repurchase of Company Preferred Securities

The Company Preferred Securities are not redeemable at the option of the holders and may be redeemed by the Company, at the option of the Company, in whole or in part, at the Regular Redemption Price (as defined below) on any Dividend Payment Date occurring on or after June 27, 2011 (a “Regular Redemption Date”), subject to receipt of the prior approval, if then required, of the Bank of Italy. Upon the occurrence of a Company Special Event (as defined below) (other than a Change in Law Tax Event (as defined below) with respect to the Company), the Company Preferred Securities may be redeemed by the Company, at the option of the Company, in whole but not in part, at the Special Redemption Price (as defined below) on any Dividend Payment Date if such occurrence is prior to June 27, 2011 (“Special Redemption Date” and together with the Regular Redemption

Date, the “Redemption Date”), in each case, with the prior approval, if then required, of the Bank of Italy. Upon the occurrence of a Change in Law Tax Event with respect to the Company, the Company Preferred Securities may be redeemed by the Company, at the option of the Company, in whole but not in part, at the Regular Redemption Price on any Dividend Payment Date, with the prior approval, if then required, of the Bank of Italy.

If the Company redeems the Company Preferred Securities, the Trust must redeem a number of Trust Preferred Securities having an aggregate liquidation preference equal to the aggregate liquidation preference of the Company Preferred Securities so redeemed at the Regular Redemption Price or Special Redemption Price, as the case may be, per Trust Preferred Security. In addition, following any liquidation of the Trust as a result of the occurrence of a Trust Special Event (as defined below), holders of the Trust Preferred Securities will receive a corresponding number of Company Preferred Securities with the equivalent aggregate liquidation preference.

Liquidation Preference

So long as the Company Preferred Securities are outstanding, the Company will only be liquidated, dissolved or wound up upon the liquidation, dissolution or winding-up of the Bank and with the prior approval, if then required, of the Bank of Italy. In the event of any such voluntary or involuntary dissolution, liquidation or winding-up of the Company, holders of the Company Preferred Securities will, subject to certain limitations, be entitled to receive out of assets of the Company available for distribution to security holders after satisfaction of liabilities of creditors in accordance with applicable law and distribution of the Subordinated Deposits and Eligible Investments to the holders of the Company Common Securities, the liquidation preference of €1,000 per Company Preferred Security, plus declared or deemed declared and unpaid Dividends thereon, if any, to the date of such liquidation, without any interest.

So long as any Company Preferred Securities are outstanding, if the Bank is dissolved, liquidated or wound up, the Company must be dissolved, liquidated or wound up. So long as any Trust Preferred Securities are outstanding, if the Bank or the Company is dissolved, liquidated or wound up, the Trust must be dissolved, liquidated or wound up.

Under the terms of the Amended and Restated Limited Liability Company Agreement, and to the fullest extent permitted by law, the Company shall not be dissolved until all claims under the Company Subordinated Guarantee shall have been paid to the fullest extent pursuant to the terms thereof.

Merger, Consolidation, Conversion or Amalgamation of the Company

The Company may not consolidate, amalgamate, convert or merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any corporation or other body, except as described below or elsewhere herein. The Company may, without the consent of the holders of the Company Preferred Securities, consolidate, amalgamate, convert or merge with or into, or be replaced by a limited partnership, limited liability company or trust organised as such under the laws of any State of the United States of America, *provided, that*, (1) such successor entity either (x) expressly assumes all of the obligations of the Company under the Company Preferred Securities or (y) substitutes for the Company Preferred Securities other securities having substantially the same terms as the Company Preferred Securities (the “Company Successor Securities”) so long as the Company Successor Securities are not junior to any equity securities of the successor entity, with respect to participation in the profits, distributions and assets of the successor entity, except that they may rank junior to the Company Common Securities or any successor Company Common Securities to the same extent that the Company Preferred Securities rank junior to the Company Common Securities; (2) each Eligible Borrower of the Subordinated Deposits then held by the Company expressly acknowledges such successor entity as the holder of the Subordinated Deposits; (3) the Company Preferred Securities or any Company Successor Securities are listed or any Company Successor Securities are listed upon notification of official issuance, on any international securities exchange or similar organisation on which the Company Preferred Securities, if so listed, are then listed; (4) such consolidation, amalgamation, merger, conversion, replacement, conveyance, transfer or lease does not cause the Trust Preferred Securities (or, in the event that the Trust is liquidated in connection with a Trust Special Event, the Company Preferred Securities (including any Company Successor Securities)) to be downgraded by any nationally recognised statistical rating organisation in the United States; (5) such consolidation, amalgamation, merger, conversion, replacement, conveyance,

transfer or lease does not adversely affect the powers, preferences and other special rights of the holders of the Trust Preferred Securities, if the Company Preferred Securities are held by the Trust at the time, or Company Preferred Securities (including any Company Successor Securities) in any material respect; (6) such successor entity has a purpose substantially identical to that of the Company; (7) prior to such consolidation, amalgamation, merger, conversion, replacement, conveyance, transfer or lease, the Company has received an opinion of an independent nationally recognised law firm in the United States experienced in such matters to the effect that: (A) such successor entity will be treated as a partnership, and will not be classified as an association or a publicly traded partnership taxable as a corporation, for United States federal income tax purposes; (B) if the Company Preferred Securities are held by the Trust at the time, such consolidation, amalgamation, merger, conversion, replacement, conveyance, transfer or lease would not cause the Trust to be classified as other than a grantor trust for United States federal income tax purposes; (C) following such consolidation, amalgamation, merger, conversion, replacement, conveyance, transfer or lease, the Trust (or such successor entity) will not be classified as a foreign trust for United States federal income tax purposes; (D) following such consolidation, amalgamation, merger, conversion, replacement, conveyance, transfer or lease, such successor entity will not be required to register as an “investment company” under the 1940 Act; and (E) such consolidation, amalgamation, merger, conversion, replacement, conveyance, transfer or lease will not adversely affect the liability of the holders of the Company Preferred Securities; and (8) the Bank guarantees the obligations of such successor entity under any Company Preferred Securities at least to the extent provided by the Company Subordinated Guarantee.

Book-Entry and Settlement

If the Company Preferred Securities are distributed to holders of Trust Preferred Securities in connection with the involuntary or voluntary dissolution, winding-up or liquidation of the Trust as a result of the occurrence of a Trust Special Event, the Company Preferred Securities will be issued in the same form as the Trust Preferred Securities they replace. Any global certificate will be replaced by one or more global certificates (each, a “Global Company Preferred Certificate”) registered in the name of the relevant clearing system or its custodian as the depository or its nominee. For a description of Euroclear and Clearstream and the specific terms of the depository arrangements and for the exchange of definitive Trust Preferred Security Certificates, see “Description of the Trust Securities—Form, Denomination and Transfer.” As of the date of this offering memorandum, the description herein of the clearing system’s book-entry system and the clearing system’s practices as they relate to purchase, transfers, notices and payments with respect to the Trust Preferred Securities apply in all material respects to any Company Preferred Securities represented by one or more Global Company Preferred Certificates.

Registrar and Paying Agent

The Bank of New York will act as Registrar and Principal Paying Agent for the Company Preferred Securities. Registration of transfers of the Company Preferred Securities will be effected without charge by or on behalf of the Company, but upon payment (with the giving of such indemnity as the Company may require) in respect of any tax or other governmental charges that may be imposed in relation to it. The Company will not be required to register or cause to be registered the transfer of Company Preferred Securities after such Company Preferred Securities have been called for redemption.

Governing Law; Submission to Jurisdiction

The Company Securities and the Company Agreement will be governed by, and construed in accordance with, the laws of the State of Delaware.

In relation to any legal action or proceedings arising out of or in connection with the issuance of the Company Preferred Securities, each of the Bank, the Company and the Trust has irrevocably submitted to the jurisdictions of the courts of England, and has appointed Clifford Chance Secretaries Limited, at its registered office from time to time, presently at 200 Aldersgate Street, London EC1A 4JJ, United Kingdom, as its agent for service of process in England, and the courts of the State of New York and the United States Federal District Court located in the Borough of Manhattan in The City of New York and has appointed CT Corporation, presently of 111 Eighth Avenue, 13th Floor, New York, NY 10011. U.S.A., as its agent for service of process in New York.

Further, the Bank, the Company and the Trust will agree to waive (i) any objection which it may have at any time to the laying of venue of any proceeding brought in any such court, (ii) any claim that such proceedings have been brought in an inconvenient forum and (iii) the right to object, with respect to such proceeding, that such court does not have any jurisdiction over such party.

Miscellaneous

The Board is authorised and directed to conduct the affairs of the Company in such a way that (1) the Company will not be deemed to be required to register under the 1940 Act and (2) the Company will not be treated as an association or as a “publicly traded partnership” (within the meaning of Section 7704 of the Code) taxable as a corporation for United States federal income purposes. In this connection, the Board is authorised to take any action, not inconsistent with applicable law or the Company Agreement, that the Board determines in its discretion to be necessary or desirable for such purposes, so long as such action does not adversely affect the interests of the holders of the Company Preferred Securities. Any amendment of the Company Agreement relating to Dividends or the Company Subordinated Guarantee will require consent of each holder of the Company Preferred Securities.

DESCRIPTION OF THE INITIAL DERIVATIVE CONTRACT

The following summary sets forth the material terms and provisions of the Initial Derivative Contract, and its description is qualified in its entirety by reference to the terms and provisions of the Initial Derivative Contract.

General

Contemporaneously with the issuance of the Company Preferred Securities, the Company will enter into a credit derivative contract with the Bank under which, in exchange for a fee payable in at least three annual installments in an aggregate amount of €2,331,875, the Company will agree to make a Capital Deficiency Payment (as defined below) to the Bank upon the occurrence of a Capital Deficiency Event (as defined below). The Company is not obligated to make any other payments under the Derivative Contracts. The Subordinated Deposits will secure the Company's obligations under the Derivative Contracts.

Capital Deficiency Event

A "Capital Deficiency Event" will be deemed to have occurred if: (1) as a result of losses incurred by the Bank, on a consolidated or stand-alone basis, the total risk-based capital ratio of the Bank, on a consolidated or stand-alone basis, as calculated in accordance with applicable Italian Banking laws and regulations, and either (A) reported in the Bank's annual or semi-annual consolidated or stand-alone accounts or (B) determined by the Bank of Italy and communicated to the Bank, falls below the then minimum requirements of the Bank of Italy specified in its February 2000 regulations governing *Strumenti Innovativi di Capitale*, as amended (currently 5.0%); or (2) the Bank of Italy, in its sole discretion, notifies the Bank that it has determined that the Bank's financial condition is deteriorating such that an event specified in clause (1) will occur in the near term.

Upon the occurrence of a Capital Deficiency Event, the Company under the Derivative Contracts will be obligated to pay to the Bank an amount equal to the lesser of (1) the amount that is sufficient to cure the Capital Deficiency Event and (2) the outstanding amount payable by the Company under the Derivative Contracts (the "Capital Deficiency Payment"). Unless the Company pays a Capital Deficiency Payment in cash, the obligation of the Company to pay to the Bank the Capital Deficiency Payment under the Derivative Contracts will be satisfied by the Bank reducing the amount outstanding under the Subordinated Deposits then held by the Company by the amount of such Capital Deficiency Payment. Any such reduction shall be made on a *pro rata* basis with any *Strumenti Innovativi di Capitale* issued by the Bank, or issued by any subsidiary of the Bank with the benefit of a Bank Parity Guarantee, which are subject to loss absorption provisions similar to those described herein and outstanding upon occurrence of a Capital Deficiency Event.

The occurrence of a Capital Deficiency Event will not cause a corresponding redemption or reduction of the liquidation preference of the Company Preferred Securities.

Expiration and Termination

The Initial Derivative Contract will expire on June 27, 2021, although the Bank and the Company have undertaken that, prior to the expiration of the Initial Derivative Contract, they will negotiate in good faith a renewal or replacement of such contract and the related collateral arrangements.

The Derivative Contracts may be terminated at any time, in whole or in part, by the Bank, with the prior approval by the Bank of Italy, if then required.

However, until June 27, 2011, the Company and the Bank may only terminate a Derivative Contract (the "Subject Contract") by mutual consent if: (1) the Company and the Bank enter into a new Derivative Contract that is issued and effective simultaneously with the termination of the Subject Contract and is secured by a Subordinated Deposit with the same stated amount and maturity date as the stated amount and maturity date of the Subordinated Deposit that secures the Subject Contract; (2) there would be no adverse withholding tax consequences to holders of the Trust Preferred Securities or the Company Preferred Securities as a consequence of such termination; (3) the Bank receives written confirmation from the Bank of Italy approving such termination and the new Derivative Contract and confirming that the Company Preferred Securities would continue to qualify as Tier 1 capital of the Bank on a consolidated and stand-alone basis; (4) neither the Trust nor the Company would be required to register as an investment company under the 1940 Act; (5) the Company would

continue to be treated as a partnership and the Trust would continue to be classified as a grantor trust, in each case, for US federal income tax purposes; and (6) the Bank delivers to the Company an officers' certificate and an opinion of counsel stating that all conditions precedent to such termination and entering into such new Derivative Contract have been complied with.

The Derivative Contracts will be terminable by mutual consent of the Bank and the Company, without compliance with the conditions set out in (1) to (6) above, upon:

- the payment in full of the Regular Redemption Price or Special Redemption Price of the Company Preferred Securities, as applicable, or purchase or cancellation of all Company Preferred Securities; or
- the payment in full of the liquidation preference of €1,000 per Company Preferred Security, plus any unpaid Dividends (to the extent declared or deemed declared) and any Company Additional Amounts thereon.

The Derivative Contracts will be automatically terminated upon the liquidation, dissolution or winding-up of (or similar proceedings with respect to) the Bank.

If the Initial Derivative Contract is terminated before June 27, 2021, without renewal or replacement the Company will refund the pro-rated portion of the Bank's fee.

Amendment

The Derivative Contracts may be amended by the parties thereto without the consent of the holders of the Trust Securities or the Company Preferred Securities to (1) cure any ambiguity, (2) correct or supplement any provision therein that may be inconsistent with any other provision thereof or to add any other provision with respect to matters or questions arising thereunder that will not be inconsistent with the other provisions of the Derivative Contract, (3) add to the covenants, restrictions or obligations of the Bank, and (4) modify, eliminate and add any provision of the Derivative Contract to such extent as may be necessary or desirable; provided, however, that, no such amendment will have a material adverse effect on the rights, preferences or privileges of the holders of the Trust Securities and any such amendment will become effective when notice is given to the holders of the Trust Preferred Securities in accordance with "Description of the Trust Securities—Notices."

Governing Law; Submission to Jurisdiction

The Derivative Contracts will be governed by and construed in accordance with, the laws of the State of New York.

In relation to any legal action or proceedings arising out of or in connection with the Derivative Contract, each of the Bank and the Company has irrevocably submitted to the jurisdictions of the courts of England, and has appointed Clifford Chance Secretaries Limited, at its registered office from time to time, presently at 200 Aldersgate Street, London EC1A 4JJ, United Kingdom, as its agent for service of process in England, and the courts of the State of New York and the United States Federal District Court located in the Borough of Manhattan in The City of New York, and has appointed CT Corporation System, presently of 111 Eighth Avenue, 13th Floor, New York, NY 10011. U.S.A. as its agent for service of process in New York. Further, the Bank and the Company will agree to waive (i) any objection which it may have at any time to the laying of venue of any proceeding brought in any such court, (ii) any claim that such proceedings have been brought in an inconvenient forum and (iii) the right to object, with respect to such proceeding, that such court does not have any jurisdiction over such party.

DESCRIPTION OF THE SUBORDINATED GUARANTEES

Set forth below is a summary of the Subordinated Guarantees that will be executed and delivered by the Bank for the benefit of the holders from time to time of the Company Preferred Securities and the Trust Securities. The following summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the Subordinated Guarantees.

General

The Bank irrevocably and unconditionally will agree in the Subordinated Guarantees to pay in full, on a subordinated basis, to the holders of Trust Securities and the holders of Company Preferred Securities, respectively, the Subordinated Guarantee Payments to the extent set forth therein, as and when due, regardless of any defense, right of set-off or counterclaim which the Company or the Trust may have or assert, other than the defense of payment. The Bank's obligations under the Subordinated Guarantees are several and independent of the obligations of the Company with respect to the Company Preferred Securities or the obligations of the Trust with respect to the Trust Securities.

The Bank shall be liable as principal and debtor under the Trust Subordinated Guarantee to make the following Subordinated Guarantee Payments pursuant to the terms thereof (without duplication) with respect to the Trust Securities: (1) Dividends that are due and payable (or deemed payable) on the Trust Securities (which are calculated and payable on the same basis as Dividends on the Company Preferred Securities); (2) upon liquidation of the Trust, the liquidation preference of €1,000 per Trust Securities; (3) the applicable Redemption Price with respect to any Trust Securities called for redemption by the Trust; and (4) Additional Amounts, if any, by the Trust on any payment referred to in (1), (2) or (3), plus, in each case, interest accrued thereon from the date of making the claim under the Trust Subordinated Guarantee, subject to the limitation set forth therein.

The Bank shall be liable as principal and debtor under the Company Subordinated Guarantee to make the following Subordinated Guarantee Payments pursuant to the terms thereof (without duplication) with respect to the Company Preferred Securities: (1) Dividends on the Company Preferred Securities, to the extent they are due and payable; (2) upon liquidation of the Company, the liquidation preference of €1,000 per Company Preferred Security; (3) the applicable Redemption Price with respect to any Company Preferred Securities called for redemption by the Company; and (4) Company Additional Amounts, if any, by the Company on any payment referred to in (1), (2) or (3), plus, in each case, interest accrued thereon from the date of making the claim under the Company Subordinated Guarantee, subject to the limitations set forth therein.

Notwithstanding the restrictions on the declaration and payment of Dividends by the Company, the Bank will be permitted to make payments under the Subordinated Guarantees or otherwise in its discretion; *provided, however*, that the Bank will be prohibited from making any Subordinated Guarantee Payment if a Capital Deficiency Event has occurred or would occur because of such payment; *provided, further*, that the Bank will be required to make Subordinated Guarantee Payments, without duplication, in case any dividends are due and payable by the Company on the Company Preferred Securities on any Mandatory Dividend Payment Date.

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

The Subordinated Guarantees of the Company Preferred Securities and the Trust Preferred Securities by the Bank is intended to provide the holders thereof, as nearly as possible, with rights to Dividends and distributions upon redemption and liquidation equivalent to those to which the holders thereof would have been entitled if the Company Preferred Securities or the Trust Preferred Securities, as the case may be, were issued directly by the Bank.

Ranking

Subject to applicable law, the Bank's obligations under the Subordinated Guarantees constitute unsecured obligations and will rank subordinate and junior to indebtedness of the Bank (other than any instrument or contractual right effectively ranking *pari passu* with the Subordinated Guarantees), and senior to all share capital of the Bank, including its preferred shares ("*Azioni Privilegiate*"), ordinary shares ("*Azioni Ordinarie*") and savings shares ("*Azioni di Risparmio*"), and the holders of the Company

Preferred Securities and the Trust Preferred Securities, by their acceptance thereof, are deemed to agree to the foregoing subordination.

Payment of Guarantor Additional Amounts

All Subordinated Guarantee Payments in respect of the Company Preferred Securities and the Trust Securities made by or on behalf of the Bank will be made without withholding or deduction for or on account of any Relevant Tax payable by or on behalf of the Bank, unless the withholding or deduction of such Tax is required by law. In that event, the Bank will pay such additional amounts (“Guarantor Additional Amounts”) as may be necessary in order that the net amount received by the holders after such withholding or deduction will equal the amount which would have been received in respect of the Company Preferred Securities or the Trust Preferred Securities, as the case may be, in the absence of such withholding or deduction, except that no such Guarantor Additional Amounts will be payable to a holder (or a third party on its behalf) with respect to any Company Preferred Securities or Trust Securities, as the case may be, to the extent that such Relevant Tax is imposed or levied by virtue of such holder (or the beneficial owner of such Company Preferred Securities or Trust Securities, as the case may be) (1) having some connection with the Relevant Jurisdiction, other than being a holder (or beneficial owner of such Company Preferred Securities or Trust Securities, as the case may be) or (2) not having made a declaration of non-residence in, or other lack of connection with, the Relevant Jurisdiction or any similar claim for exemption, if the Bank or its agent has provided the beneficial owner of such Trust Securities or Company Preferred Securities or its nominee with at least 60 days’ prior written notice of an opportunity to make such a declaration or claim.

Enforcement

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

Certain Covenants of the Bank

Issuance of Preference Shares and Subordinated Guarantees

The Bank will agree under the Subordinated Guarantees that it will not issue any preferred securities or preferred or preference shares or similar instruments qualifying as Tier 1 capital of the Bank ranking senior to its obligations under the Subordinated Guarantees. Moreover, the Bank will agree that it will not issue any guarantee in respect of any preferred securities or preferred or preference shares or similar instruments issued by any Subsidiary of the Bank ranking senior to its obligations under the Subordinated Guarantees unless the holders of the Trust Preferred Securities and the Company Preferred Securities are given such rights and entitlements so that the Trust Preferred Securities and the Company Preferred Securities rank *pari passu* with any such guarantee.

Payment of Dividends

The Bank will agree under the Subordinated Guarantees that if any amount due and payable under the Subordinated Guarantees in respect of any Dividends on the Trust Preferred Securities or on the Company Preferred Securities in respect of the most recent Dividend Period, as the case may be, has not been paid, the Bank will pay such amount *pro rata* with any dividend or other payment made by the Bank or any Subsidiary on any Parity Securities and prior to any dividend or other payment made by the Bank on any Junior Shares.

Maintenance of Ownership and Existence of the Company and the Trust

The Bank will agree under the Company Subordinated Guarantee that for so long as the Company Preferred Securities remain outstanding, 100% of the Company Common Securities will be held by the

Bank, a branch of the Bank or, with the prior approval of the Bank of Italy, if then required, by one or more subsidiaries of the Bank each of which is deemed to be a “company controlled by the parent company” within the meaning of Rule 3a-5 of the 1940 Act.

The Bank will agree under the Trust Subordinated Guarantee that for so long as the Trust Preferred Securities remain outstanding, it will cause 100% of the Trust Common Securities to be held by the Company or, with the prior approval of the Bank of Italy, if then required, by one or more subsidiaries of the Bank incorporated under the laws of any State in the United States each of which is deemed to be a “company controlled by the parent company” within the meaning of Rule 3a-5 of the 1940 Act.

The Bank will agree under the Subordinated Guarantees that, (1) for so long as any of the Company Preferred Securities are outstanding, the Bank will not permit, or take any action to cause, the liquidation, dissolution or winding-up of the Company unless the Bank is itself in liquidation and, if then required, the approval of the Bank of Italy to such action has been received and all claims under the Subordinated Guarantees shall have been paid in full and (2) for so long as any of the Trust Preferred Securities are outstanding, the Bank will not permit, or take any action to cause, the dissolution, liquidation, winding-up or termination of the Trust, unless a Trust Special Event occurs or the Bank is itself in liquidation and, if then required, the approval for the Bank of Italy to such action has been received and all claims under the Subordinated Guarantees shall have been paid in full.

See also “Banca Popolare Commercio e Industria Capital Trust” and “Banca Popolare Commercio e Industria Funding Company” for certain additional covenants to be made by the Bank.

No Assignment

The Bank will agree under the Subordinated Guarantees that it may not assign its obligations under the Subordinated Guarantees, except in the case of merger, de-merger (“*scissione*” under Italian law, consolidation or a sale of substantially all of its assets, where the Bank is not the surviving entity.

Termination

The Subordinated Guarantees shall terminate and be of no further force and effect from the earlier of (1) the payment of the applicable Redemption Price for all Trust Securities or purchase and cancellation of all Trust Securities, (2) if the Trust Securities are no longer outstanding but clause (1) is not satisfied, the payment of the applicable Redemption Price for all Company Preferred Securities or purchase and cancellation of all Company Preferred Securities, (3) full payment of the liquidation preference of €1,000 per Trust Preferred Security for all Trust Preferred Securities plus any unpaid Dividends and any Additional Amounts thereon or (4) if the Trust Preferred Securities are no longer outstanding but clause (1) is not satisfied, full payment of the liquidation preference of €1,000 per Company Preferred Security for all Company Preferred Securities plus any unpaid Dividends and any Company Additional Amounts thereon; *provided, however*, that the Subordinated Guarantees will continue to be effective or will be reinstated, as the case may be, if at any time payment of any sums paid under the Company Preferred Securities, the Trust Preferred Securities or the Subordinated Guarantees must be restored by a holder thereof for any reason whatsoever.

Amendment

Except for those changes provided for in the last sentence of this paragraph (in which case no approval will be required) and changes to the provisions of the Subordinated Guarantees in respect of the Subordinated Guarantee Payments and the circumstances under which Dividends are deemed to have been declared (in which case approval of each holder of the Company Preferred Securities and the Trust Securities is required), the Subordinated Guarantees may be modified only with the prior approval of the holders of not less than 66⅔% of the Company Preferred Securities and not less than 66⅔% of the Trust Securities (excluding any Company Preferred Securities and Trust Securities, as the case may be, held by the Bank or any of its affiliates, other than Trust Securities purchased or acquired by the Bank or its affiliates in connection with transactions effected by or for the account of customers of the Bank or any of its affiliates or in connection with the distribution, trading or market-making in respect of such securities and except that persons (other than affiliates of the Bank) to whom the Bank or any of its subsidiaries have pledged Company Preferred Securities or Trust Securities may vote or convert with respect to such pledged securities pursuant to the terms of such pledge).

In accordance with the terms of the Subordinated Guarantees, the Subordinated Guarantees may be amended without the consent of the holders of the Trust Securities or Company Securities to (1) cure any ambiguity, (2) correct or supplement any provision in the Subordinated Guarantees that may be defective or inconsistent with any other provision of the Subordinated Guarantees, (3) add to the covenants, restrictions or obligations of the Bank, (4) conform to any change in the 1940 Act or the rules or regulations thereunder and (5) modify, eliminate and add to any provision of the Subordinated Guarantees to such extent as may be necessary or desirable; *provided*, that no such amendment shall be made if such amendment would (A) cause the Company or the Trust to require to register as an investment company under the 1940 Act, (B) cause the Trust to fail to be treated as a grantor trust and a domestic trust for United States federal income tax purposes, (C) cause the Company to be treated as other than a partnership that is not a publicly traded partnership for United States federal income tax purposes or (D) have a material adverse effect on the rights, preferences or privileges of the holders of the Trust Securities or Company Preferred Securities.

If the Subordinated Guarantees are amended, notice thereof will be provided in the manner indicated under “Description of the Trust Securities—Notices.” Copies of the amended Subordinated Guarantees will be made available to holders as indicated in “General Listing Information—Available Documents.”

Governing Law; Submission to Jurisdiction

The Subordinated Guarantees will be governed by, and construed in accordance with, the laws of the State of New York.

In relation to any legal action or proceedings arising out of or in connection with the Subordinated Guarantees, the Bank has irrevocably submitted to the jurisdictions of the courts of the State of New York and the United States Federal District Court located in the Borough of Manhattan in The City of New York and the courts of England, respectively, and has appointed Clifford Chance Secretaries Limited, at its registered office from time to time, presently at 200 Aldersgate Street, London EC1A 4JJ, United Kingdom, as its agent for service of process in England and CT Corporation, presently of 111 Eighth Avenue, 13th Floor, New York, NY 10011, U.S.A., as its agent for service of process in New York. Further, the Bank will agree to waive (i) any objection which it may have at any time to the laying of venue of any proceeding brought in any such court, (ii) any claim that such proceedings have been brought in an inconvenient forum and (iii) the right to object, with respect to such proceeding, that such court does not have any jurisdiction over such party.

DESCRIPTION OF THE ELIGIBLE INVESTMENTS

The following summary sets forth the material terms and provisions of the eligible investments, including the Initial Subordinated Deposit, and the description of the Initial Subordinated Deposit is qualified in its entirety by reference to the terms and provisions of the Initial Subordinated Deposit.

Eligible Investments

The Company will use the proceeds from the issuance of the Company Securities and the majority of the fee payable by the Bank under the Initial Derivative Contract (the “Initial Proceeds”) to invest in Eligible Investments. “Eligible Investments” means cash or book-entry securities, negotiable instruments, bank deposits (including the Subordinated Deposits), or other investments which are identified as a permitted investment of a finance subsidiary pursuant to Rule 3a-5 under the 1940 Act at the time such investment is acquired by the Company.

The Company will initially invest €115,001,000 in the Initial Subordinated Deposit and invest the remainder of the Initial Proceeds in other Eligible Investments. The purchase of the Initial Eligible Investments by the Company will occur contemporaneously with the issuance of the Company Preferred Securities.

Initial Subordinated Deposit

General

Any subordinated deposit with an Eligible Borrower, including the Initial Subordinated Deposit, is referred to in this offering memorandum as a “Subordinated Deposit” and will constitute an unconditional, unsecured subordinated obligation of the Bank and will rank in right of payment after all trade debt (including unsubordinated unsecured creditors and depositors) of the Bank, but at least *pari passu* with all other subordinated obligations of the Bank which rank equally with the most subordinated debt instruments of the Bank.

The Initial Subordinated Deposit will mature on June 27, 2021, *provided, however*, that if the Initial Derivative Contract is renewed or replaced, the Company will, to the extent necessary, make one or more other Subordinated Deposits from the proceeds of the Subordinated Deposits then outstanding to secure its obligations under such renewed or replacement Derivative Contract, subject to the reinvestment criteria described in “—Reinvestment of Proceeds” below.

The Subordinated Deposits will secure the Company’s obligations under the Derivative Contracts. In the event that under a Derivative Contract the Company is obligated to make a Shift Payment to the Bank, unless the Company pays such Shift Payment in cash, such obligation will be satisfied by applying the amount of such Shift Payment as a set-off against each Subordinated Deposit then outstanding on a *pro rata* basis by the Bank.

Interest

Interest on the Subordinated Deposits will accrue and be payable as follows: (i) interest will accrue at the annual rate of 8.9% of the principal amount thereof from the Issue Date to but excluding June 27, 2011 and will be payable annually in arrear on the same date as the annual Dividend Payment Date of the Trust Preferred Securities and the Company Preferred Securities and (ii) thereafter, interest will accrue at the annual rate of 5.3%, above three month EURIBOR of the principal amount of such Subordinated Deposit and will be payable quarterly in arrear, on the same dates as the quarterly Dividend Payment Dates of the Trust Preferred Securities and the Company Preferred Securities.

The payment of interest on each of the Subordinated Deposits will not be deferrable.

Redemption

A Subordinated Deposit may be redeemed by the related Eligible Borrower (with the prior approval, if then required, of the Bank of Italy), at its option, at any time, in whole or in part, at 100% of the principal amount thereof plus interest accrued but unpaid to the date fixed for redemption plus any Subordinated Deposit Additional Amounts (as defined below) thereon.

Payment of Subordinated Deposit Additional Amounts

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

Reinvestment of Proceeds

The Company may reinvest the proceeds from the repayment of a Subordinated Deposit only if (1) there would be no adverse tax consequences to the Bank as a consequence of such reinvestment, (2) there would be no adverse withholding tax consequences to holders of the Trust Preferred Securities or the Company Preferred Securities, (3) the Bank receives written confirmation from the Bank of Italy approving such reinvestment and that the Trust Preferred Securities would continue to qualify as Tier 1 capital of the Bank on a consolidated and stand-alone basis, (4) neither the Trust nor the Company would be required to register as an investment company under the 1940 Act, (5) the Company would continue to be treated as a partnership and the Trust would be classified as a grantor trust, in each case, for US federal income tax purposes and (6) the Bank delivers to the Company an officers’ certificate and an opinion of counsel stating that all conditions precedent to any reinvestment have been complied with.

Governing Law

The Subordinated Deposits will be governed by the laws of Italy.

TAXATION

The following is a summary of the principal U.S. Federal and Italian income tax consequences of the purchase, ownership and disposition of the Trust Preferred Securities. The U.S. Federal income tax summary addresses only the tax consequences to a Non-U.S. Holder (as defined below) that acquires Trust Preferred Securities on their original issue at their original offering price and that holds the Trust Preferred Securities as capital assets. It does not address all tax consequences that may be relevant to a beneficial owner of Trust Preferred Securities (a "Trust Preferred Securityholder"). In particular, this summary does not address issues that may arise after a Capital Deficiency Event, nor does it address the tax consequences to persons that may be subject to special treatment under Italian or U.S. Federal income tax law (such as banks, insurance companies, regulated investment companies, real estate investment trusts and dealers in securities or currencies), persons that will hold Trust Preferred Securities as part of a larger transaction, such as a position in a "straddle" or as part of a "hedging" or "conversion" transaction or persons whose functional currency is not the U.S. dollar or the Italian lira, respectively. In addition, the summary does not address the U.S. Federal or Italian income tax treatment of a Trust Preferred Securityholder on or after the occurrence of a Capital Deficiency Event. The U.S. tax summary is based upon the Internal Revenue Code of 1986, as amended, the Treasury regulations promulgated thereunder and other administrative and judicial authorities in effect as of the date hereof, all of which are subject to change (possibly with retroactive effect). Prospective investors should note that no rulings have been or are expected to be sought from the Internal Revenue Service ("IRS") with respect to the tax treatment of the Trust Preferred Securities and no assurance can be given that the IRS will not take contrary positions. Moreover, no assurance can be given that the tax consequences described herein will not be challenged by the IRS or, if challenged, that such challenge will not be successful. The Italian tax summary is based upon legislation in effect as of the date hereof and administrative practice, all of which are subject to change (possibly with retroactive effect).

PROSPECTIVE PURCHASERS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE U.S. FEDERAL AND ITALIAN INCOME TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE TRUST PREFERRED SECURITIES, AS WELL AS THE EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS.

Italian Income Tax Considerations

The following is a general summary of the material Italian tax consequences of the purchase, ownership and disposition of the Trust Preferred Securities for Italian resident beneficial owners who will hold non qualified interests in the Banca Popolare Commercio e Industria Capital Trust.

Payments Under The Trust Preferred Securities

The following is a general summary of Italian taxes applicable as at the date hereof in relation to payments made under the Trust Preferred Securities to Italian resident beneficial owners.

No Italian withholding or substitute tax applies on payments on Trust Preferred Securities received by beneficial owners who are not residents of Italy for tax purposes, except as indicated below for payments made by the Guarantor.

The following analysis is based on the assumption that no redemption occurs within eighteen months from the date of issue. The Italian tax treatment of the Trust Preferred Securities concerning payments received by Italian residents will depend upon the qualifications under Italian law principles of such securities.

Treatment as Bonds

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

Interest (including (1) any difference between the redemption amount and the issue price and (2) in the case of sales for consideration of the Trust Preferred Securities, any proceeds that represent accrued and expressly or implicitly recognized interest and other proceeds in respect of sales of the Trust Preferred Securities) paid, amongst others, to the following Italian resident persons and/or entities is subject to a 12.5% final substitute tax (*imposta sostitutiva*);

- (i) Real estate investment funds. This *imposta sostitutiva* is required to be levied by the Italian bank or qualified financial intermediary, if any, used to channel the interest in Italy. If interest is received directly by the recipient, it will be required to declare the interest in its tax return and subject it to the 12.5% final substitute tax.
- (ii) Noncommercial entities, government entities and tax exempt organization, in relation to which the same considerations as in (i) here above apply as to the application of *imposta sostitutiva* in the absence of an interposing Italian qualified financial intermediary. The substitute tax is final and discharges all tax liabilities of the recipient in connection with the interest payments received.
- (iii) Individuals holding Trust Preferred Securities not in connection with entrepreneurial activities. The 12.5% final *imposta sostitutiva* is required to be applied by Italian resident qualified financial intermediaries that intervene, in any way, in the collection of interest payments on the Trust Preferred Securities or in the transfer of the Trust Preferred Securities.

Where payments on the Trust Preferred Securities are not received through the intervention of an Italian resident qualified financial intermediary and as such no substitute tax is applied, the individual beneficial owners will be required to declare the payments in their income tax return and subject them to a final substitute tax at a rate of 12.5%. The individual beneficial owners may elect instead to pay ordinary personal income tax at the progressive rates applicable to them in respect of the payments; if so, the beneficial owners should generally benefit from a tax credit for withholding taxes applied outside Italy, if any.

If the Trust Preferred Securities form part of a portfolio managed by a qualified Italian professional intermediary, for payments in respect of the Trust Preferred Securities received, and any gain from the disposal of the Trust Preferred Securities derived, by Italian resident individuals holding Trust Preferred Securities not in connection with entrepreneurial activities, an alternative method of taxation (the so-called “*risparmio gestito*” regime) may be available. Under the “*risparmio gestito*” regime, according to Art. 7, paragraph 3, of Legislative Decree November 21, 1997, No. 461, the payments will not be subject to any Italian substitute tax. Under the “*risparmio gestito*” regime, the payments will be included in the calculation of the total net appreciation of the portfolio accrued at the end of each year. Such appreciation will be subject to a 12.5% final substitute tax.

Interest paid to Italian beneficial owners who are investment funds, SICAVs⁽¹⁾ or pension funds (in case of pension funds for interest accrued starting from January 1, 2001) is not subject to any withholding tax or substitute tax. The interest is included in the aggregate management result of these funds accrued in each year, which is subject to a substitute tax at the rate of 12.5% (11% in case of pension funds).

No “entrance” withholding tax is applicable to interest paid to resident corporate entities, commercial partnerships, non-limited liability corporate entities and permanent establishments in Italy of foreign entities. Interest will generally be included in their aggregate taxable business income subject to tax in Italy according to the ordinary tax provisions. A tax credit may be generally available for taxes withheld abroad, if any.

Treatment as Shares

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

- (i) Dividends paid to corporate entities and commercial partnerships are not subject to withholding tax. In such cases, the Dividends received will form part of the aggregate taxable business income of the investors and will be subject to taxation pursuant to their ordinary regime. Therefore, the investors must include the gross amount of the Dividends in their income tax return and may generally benefit from a tax credit equal in principle to withholding taxes applied outside Italy, if any.

(1) SICAVs (“*société d’investissement a capital variable*”) are limited companies used in France, Luxembourg and Italy for the purpose of managing security portfolios for subscribers. As new subscribers arrive, SICAVs issue units in the form of equity. Every subscriber thus becomes a shareholder and holds that fraction of the capital corresponding to his units.

- (ii) Dividends paid to pension funds (for Dividends which become payable starting from January 1, 2001), investment funds or SICAVs will form part of the aggregate management result of the funds accrued in each year, calculated on the difference between the value of the assets at the beginning of the tax year and the adjusted value of the assets at the end of the same tax year. The management result is subject to a 12.5% substitute tax or 11% in the case of pension funds.
- (iii) Dividends paid to real estate investment funds or pension funds are subject to a definitive 12.5% withholding tax. This withholding tax is required to be levied by the Italian bank or financial intermediary, if any, used to channel the Dividends in Italy. If Dividends are received directly by the funds, they will be required to declare the Dividends in their tax return and subject them to the 12.5% final substitute tax.
- (iv) Dividends paid to entities exempt from corporate income tax are subject to a definitive 27% withholding tax. This withholding tax is required to be levied by the Italian bank or financial intermediary, if any, used to channel the Dividends in Italy. Where payments on the Trust Preferred Securities are not received through an account maintained with an Italian bank or an Italian financial intermediary and as such no withholding tax is applied, the recipient will be required to declare the payments in its tax return and subject them to a final substitute tax at a rate of 27%.
- (v) Dividends paid to individuals holding Trust Preferred Securities not in connection with entrepreneurial activities are subject to Italian withholding tax at a rate of 12.5% on account of personal income tax due, if the payments are collected through an account maintained with an Italian bank or an Italian financial intermediary. Such payments are then included in the individual beneficial owners' taxable income and subject as such to the progressive tax rates applicable to them. A tax credit for withholding taxes applied outside Italy, if any, on beneficial owners should be generally available.

If payments on the Trust Preferred Securities are not received through an account maintained with an Italian bank or an Italian financial intermediary and as such no withholding tax is required, such payments are included in the individual beneficial owners' taxable income and subject as such to the progressive tax rates applicable to them, generally with a tax credit for withholding taxes applied outside Italy, if any.

If the Trust Preferred Securities form part of a portfolio managed by a qualified Italian professional intermediary, for payments in respect of the Trust Preferred Securities received, and any gain from the disposal of the Trust Preferred Securities derived, by Italian resident individuals holding Trust Preferred Securities not in connection with entrepreneurial activities, the "*risparmio gestito*" regime may be available, as an alternative method of taxation. Under the "*risparmio gestito*" regime, according to Art. 7, paragraph 3, of Legislative Decree No. 461/1997, the payments will not be subject to any Italian withholding tax, provided that such payments do qualify as dividends from shares of a foreign company listed on a regulated market. Under the "*risparmio gestito*" regime, the payments will be included in the calculation of the total net appreciation of the portfolio accrued at the end of each year. Such appreciation will be subject to a 12.5% final substitute tax.

Treatment as Atypical Securities⁽²⁾

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

- (i) Payments made to corporate entities and commercial partnerships are not subject to any Italian "entrance" withholding tax. In such cases, the payments received will form part of the aggregate taxable business income of the recipients and will be subject to taxation pursuant to their ordinary regime. Therefore, the recipients must include the gross amount of the payments in their income tax return and may generally benefit from a tax credit equal in principle to withholding taxes applied outside Italy, if any.

(2) "Atypical Securities" are defined as securities different from shares or bonds (or securities similar to bonds), which do not guarantee the restitution of the initial investment or maturity or in case of early redemption.

- (ii) Payments made to individuals holding Trust Preferred Securities not in connection with entrepreneurial activities will be subject to a 27% final withholding tax. This withholding tax is required to be levied by the entrusted Italian resident bank or financial intermediary, if any, that intervenes in the collection of payments on the Trust Preferred Securities, in the repurchase or in the transfer of the Trust Preferred Securities.

If payments on the Trust Preferred Securities are not received through an entrusted Italian resident bank or financial intermediary that intervenes in the collection of payments on the Trust Preferred Securities, in the repurchase or in the transfer thereof, and as such no withholding tax is required, the individual beneficial owners will be required to declare the payments in their income tax return and subject them to a final substitute tax at a rate of 27%. The individual beneficial owners may elect instead to pay ordinary personal income tax at the progressive rates applicable to them in respect of the payments; if so, the beneficial owners should generally benefit from a tax credit for withholding taxes applied outside Italy, if any.

- (iii) Payments made to any other Italian resident entity will be subject to a 27% final withholding tax. This withholding tax is required to be levied by the entrusted Italian bank or financial intermediary (or permanent establishment in Italy of a foreign entity), if any, that intervenes in the collection of payments on the Trust Preferred Securities, in the repurchase or in the transfer thereof, or applied directly by the recipient in its income tax return.

Due to the lack of any tax authority rulings on the tax treatment of Trust Preferred Securities, there may be no assurance that payments will be subject to the 12.5% Italian tax rather than the 27% withholding tax.

EU Withholding Tax Directive Proposal

The European Union is currently considering proposals for a new directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that Member States will be required to provide to the tax authorities of another Member State details of payments or interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State, subject to the right of certain Member States to opt instead for a withholding tax for a transitional period in relation to such payments.

Payments Made by the Bank

In accordance with one interpretation of Italian fiscal law, payments of liabilities equal to interest or dividends (depending on the classification of the Trust Preferred Securities as described above) made by the Bank under the Guarantee may be subject in certain circumstances to a final withholding tax at a rate of 12.5% if the holder is an Italian real estate fund, pension fund, investment fund or SICAV. If the beneficial owners are Italian resident individuals holding Trust Preferred Securities not in connection with entrepreneurial activities or non commercial entities, payments under the Guarantee may be subject to withholding tax at a rate of 12.5% on account of income tax due thereon and then should be included in the beneficial owners' taxable income and subject as such to the tax rates applicable to them. For beneficial owners who are Italian resident corporate entities, the payments will form part of the annual taxable income subject to tax according to the ordinary rules.

However, in the case of a noteholder which is a non-resident of Italy, final withholding tax may be applied at a rate of 27% (if the payment is treated as dividend) or 12.5% (if treated as interest). Double taxation treaties entered into by the Republic of Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax.

In case of payments under the Guarantee to non-Italian residents who are resident for tax purposes in tax haven countries listed by Ministerial Decree April 24, 1992, final withholding tax should in any case apply at a rate of 27%.

In accordance with another interpretation, any such payments will be treated in certain circumstances as a payment by the Trust and subject to the tax treatment described in the preceding paragraphs.

Capital Gain

Italian investments funds, SICAVs, pension funds (in case of pension funds, for Capital Gains realized starting from January 1, 2001). Capital Gain deriving from the sale of the Trust Preferred Securities is included in the aggregate management result of these funds accrued in each year and subject to a 12.5% (11% in case of pension funds) substitute tax.

Italian Corporate Investors. The gains realized by corporations and commercial partnerships will form part of the aggregate income subject to the ordinary corporate tax. The gains are calculated as the difference between the acquisition cost and the sale price. Certain tax rate reductions may be available in certain circumstances.

Italian Individual Investors. Any gain realized by Italian resident individuals holding Trust Preferred Securities not in connection with entrepreneurial activities upon disposal of the Trust Preferred Securities will be subject to a 12.5% substitute tax.

If the Trust Preferred Securities form part of a portfolio of securities managed by a professional intermediary, for any gain upon disposal of the Trust Preferred Securities derived by Italian resident individuals holding Trust Preferred Securities not in connection with entrepreneurial activities, two different systems of taxation (the so-called “*risparmio amministrato*” and “*risparmio gestito*” regimes) may be available, at the taxpayers’ election, as an alternative to the filing of the tax return:

- (i) under the “*risparmio amministrato*” regime, intermediaries acting as security depositaries will apply a 12.5% substitute tax on each gain derived upon disposal of the Trust Preferred Securities;
- (ii) under the “*risparmio gestito*” regime, any gain derived upon disposal of the Trust Preferred Securities will be included in the calculation of the total net appreciation of the portfolio accrued in each year. Such result will be subject to a 12.5% substitute tax.

Under the filing of the tax return and the “*risparmio amministrato*” regimes, in the event that the period between the purchase of the Trust Preferred Securities and their subsequent disposal exceeds 12 months, the amount on which substitute tax on capital gains is to be charged will be determined by multiplying the capital gains realized by an adjustment factor (referred to as “*equalizzatore*”).

Receipt of Company Preferred Securities upon the Liquidation of the Trust

Under certain circumstances, as described under the caption “Description of Trust Securities—Redemption,” Company Preferred Securities may be distributed to Trust Preferred Securities Holders upon liquidation of the Trust. Such a distribution to an Italian resident Holder would be treated as a taxable event for Italian tax purposes.

The consideration for the purposes of calculating any Capital Gain upon redemption of the Trust Preferred Securities, and the tax basis of the Company Preferred Securities received in exchange will be equal to the redemption value of the Trust Preferred Securities.

Early Redemption

The early redemption of the securities may create a capital gain/capital loss computed considering the differences between the redemption value and the purchase price (with certain adjustments) to be treated in connection with the fiscal regime of each holder as described above.

Transfer Tax

Italian transfer tax does not apply, *inter alia*, to the following:

- (i) contracts concluded in regulated markets regarding the transfer of the Trust Preferred Securities;
- (ii) off-market transactions regarding the Trust Preferred Securities, provided that the Trust Preferred Securities are listed on a regulated market and such transactions occur either:
 - (a) between resident or non-resident banks or other investment companies regulated by Legislative Decree No. 58 of February 24, 1998 or stock brokers; or
 - (b) between the qualified intermediaries mentioned above, on the one hand, and non-Italian residents, on the other hand; or

- (c) between the qualified intermediaries mentioned above, on the one hand, and investment funds or SICAVs, on the other hand; and
- (iii) contracts related to public sale offering ordered to the listing on regulated markets or involving financial instruments already listed on regulated markets.

Where applicable, upon transfer of Trust Preferred Securities by or to Italian residents, Italian transfer tax will be payable at a rate between a maximum of Lit. 140 and a minimum of Lit. 9 per Lit. 100,000 (or fraction thereof) of the price at which the Trust Preferred Securities are transferred. In certain cases, Italian transfer tax due in respect of transfers of Trust Preferred Securities cannot exceed Lit. 1,800,000 for each transaction.

Inheritance and Gift Tax

Italian inheritance and gift tax is payable on transfers of Trust Preferred Securities (i) by reason of death of Italian residents or donation by Italian residents, even if the Trust Preferred Securities are held outside Italy and (ii) by reason of death of non-Italian residents or donation by non-Italian residents, if the Trust Preferred Securities are held in Italy.

Inheritance and gift tax is in general not due on inheritances and gifts up to Lit. 350 million.

Inheritance and gift taxes paid in a State outside Italy in respect of the same estate on assets existing in that State are deductible in whole or in part from Italian inheritance and gift tax due in respect of such estate.

Tax Monitoring Obligations

Italian resident individuals holding Trust Preferred Securities not in connection with entrepreneurial activity will be required to report in their yearly income tax return, for tax monitoring purposes:

- (a) the amount of Trust Preferred Securities held at the end of each year, if exceeding in the aggregate 20 million lire; and
- (b) the amount of any transfers from abroad, towards abroad and occurring abroad, related to the Trust Preferred Securities, occurring during each tax year, if these transfers exceed in the aggregate 20 million lire. This also applies in the case that at the end of the tax year Trust Preferred Securities are no longer held by Italian individuals.

Italian individuals will however not be required to comply with the above reporting requirements with respect to Trust Preferred Securities deposited for management with qualified Italian financial intermediaries and with respect to contracts entered into through their intervention, upon condition that the items of income derived from the Trust Preferred Securities are received through the intervention of the same intermediaries.

U.S. Federal Income Tax Considerations

Classification of the Trust and the Company

In purchasing the Trust Preferred Securities, each Trust Preferred Securityholder agrees with the Bank, the Trust and the Company that the Bank, the Trust, the Company and the Trust Preferred Securityholders will treat Trust Preferred Securityholders, as holders of an undivided interest in Trust assets, including the Company Preferred Securities for all purposes, and not as holders of an interest in the Bank or in any other person, and will follow allocations made by the Company pursuant to its Company Agreement. The following discussion is based on the assumption that such treatment will apply for U.S. federal income tax purposes. Under current law, and assuming full compliance with the terms of the Trust Agreement (and certain other transaction documents described herein), the Trust will be classified as a grantor trust and will not be classified as an association taxable as a corporation for United States Federal income tax purposes. Accordingly, for such purposes, each Trust Preferred Securityholder will be considered the owner of an undivided interest in the Company Preferred Securities and will be required to include in its gross income its share of the Company's income allocated to the Company Preferred Securities. Likewise, in acquiring the Company Preferred Securities, the Trust and the Preferred Securityholders (including Trust Preferred Securityholders who exchange their Trust Preferred Securities for Company Preferred Securities) agree with the Bank and

the Company that the Bank, the Company and each Preferred Securityholder will treat the holders of the Company Preferred Securities for all purposes as holders of Company Preferred Securities, and will not treat the holders of the Company Preferred Securities or the Trust Preferred Securities as holders of an underlying interest in the Bank or in any other person. The following discussion is based on the assumption that such treatment will apply for U.S. federal income tax purposes.

Assuming full compliance with the terms of the Company Agreement (and certain other transaction documents described herein), the Company will be treated as a partnership for U.S. federal income tax purposes and will not be taxable as a corporation or association.

Certain Non-U.S. Holders

In the following discussion the term “Non-U.S. Holder” refers to a beneficial owner of Trust Preferred Securities who is not a U.S. Holder. A “U.S. Holder” means a beneficial owner of Trust Preferred Securities who is, for United States federal income tax purposes: (i) a citizen or resident of the United States; (ii) a corporation or other entity created or organized in or under the laws of the United States or any political subdivision thereof; (iii) an estate the income of which is subject to United States federal income taxation regardless of its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. The term also includes certain former citizens or long-term residents of the United States.

The Company intends to operate so that it will not be engaged in the conduct of a U.S. trade or business for U.S. federal income tax purposes. Moreover, the Company intends to invest in securities that will be exempt from withholding of U.S. federal income tax when income attributable to such securities is distributed or allocated to beneficial holders of the Company Preferred Securities. Accordingly, a Non-U.S. Holder will not be subject to withholding of U.S. federal income tax on payments in respect of the Trust Preferred Securities. A Non-U.S. Holder also will not be subject to U.S. federal income tax on its allocable share of the Company’s income unless the income is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States.

A Non-U.S. Holder will not be subject to U.S. federal income or withholding tax on gain realized on the sale or exchange of the Trust Preferred Securities, unless (i) the gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States or (ii) in the case of gain realized by an individual Non-U.S. Holder, the Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

Information Reporting and Backup Withholding

In general, a Non-U.S. Holder who holds the Trust Preferred Securities through a non-U.S. Bank or other non-U.S. financial institution that is a participant in Clearstream or Euroclear will not be required to provide certification of non-U.S. status for withholding purposes. In other contexts, however, Non-U.S. Holders may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of information reporting requirements and backup withholding tax. Non-U.S. Holders who directly hold Company Preferred Securities may also be required to comply with such certification procedures.

U.S. information reporting and backup withholding requirements (including providing forms W-8BEN or successor form) generally will not apply to Non-U.S. Holders with respect to payments made outside the United States of dividends on Trust Preferred Securities or Company Preferred Securities, or to a payment made outside the United States of the proceeds of a sale of Trust Preferred Securities or Company Preferred Securities through an office outside the United States of a non-U.S. broker. However, U.S. information reporting requirements (but not backup withholding) will apply to payments of dividends on Trust Preferred Securities or Company Preferred Securities that an investor holds through a broker, custodian, nominee or other agent (a) that is a U.S. Person; (b) that derives 50% or more of its gross income for a specified three-year period from the conduct of a trade or business in the United States; (c) that is a “controlled foreign corporation” as to the United States; or (d) that is a foreign partnership, but only (i) if at any time during its tax year, one or more of the partners are U.S. Persons who in the aggregate hold more than 50% of the income or capital interest in such foreign partnership; or (ii) if at any time during its tax year, such foreign partnership is engaged in a U.S. trade or business; or (iii) if the payment is made outside the United States and such foreign

partnership does not have documentary evidence in its files that the holder or beneficial owner is a non-U.S. Person or the holder or beneficial owner otherwise establishes an exemption.

The treatment of the Trust Preferred Securities for United States estate tax purposes is uncertain. Individuals who are not citizens or residents of the United States should consult their tax advisers about the possibility that Trust Preferred Securities will be includable in their gross estate for purposes of the United States federal estate tax.

THE UNITED STATES FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER'S PARTICULAR SITUATION. HOLDERS SHOULD CONSULT THEIR TAX ADVISERS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE TRUST PREFERRED SECURITIES, INCLUDING THE TAX CONSEQUENCES UNDER UNITED STATES FEDERAL STATE, LOCAL, FOREIGN, AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN UNITED STATES FEDERAL OR OTHER TAX LAWS.

SUBSCRIPTION AND SALE

Salomon Brothers International Limited (the “Bookrunner”), pursuant to a Subscription Agreement dated June 15, 2001 (the “Subscription Agreement”), has agreed with the Trust, the Company and the Bank, subject to the satisfaction of certain conditions, to purchase the Trust Preferred Securities at their issue price of €1,000 per Trust Preferred Security (or €115,000,000 in the aggregate). The Subscription Agreement provides that each of the Trust, the Company and the Bank will indemnify the Bookrunner against certain liabilities. The Bookrunner will receive a commission of €10 per Trust Preferred Security or €1,150,000 in total.

Selling Restrictions

General

No action has been or will be taken in any jurisdiction by the Trust, the Company, the Bank or the Bookrunner that would, or is intended to, permit a public offering of the Trust Preferred Securities, or possession or distribution of this offering memorandum or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this offering memorandum comes are required by the Trust, the Company, the Bank and the Bookrunner to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Trust Preferred Securities or have in their possession, distribute or publish this offering memorandum or any other offering material relating to the Trust Preferred Securities, in all cases at their own expense.

United States Selling Restrictions

The Company has not been registered under the 1940 Act. The Trust Preferred Securities and the Company Preferred Securities have not been and will not be registered under the Securities Act, and may not be offered, sold, pledged or otherwise transferred except in a transaction pursuant to Regulation S, as described under “Notice to Purchasers.”

Accordingly, the Bookrunner has agreed that, except as permitted by the Subscription Agreement and set forth in the “Notice to Purchasers;” it will not offer or sell the Trust Preferred Securities within the United States or to, or for the account or benefit of, U.S. persons (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, and it will have sent to each dealer to which it sells Trust Preferred Securities during the 40-day restricted period a confirmation or other notice setting forth the restrictions on offers and sales of the Trust Preferred Securities within the United States or to, or for the account or benefit of, U.S. persons.

The Trust Preferred Securities are being offered and sold outside of the United States to non-US persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Trust Preferred Securities, an offer or sale of the Trust Preferred Securities within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom Selling Restrictions

The Bookrunner has represented and agreed that it (or any affiliate):

- (i) has not offered or sold, and prior to the expiry of the period of six months from the issue of the Trust Preferred Securities, will not offer or sell any Trust Preferred Securities 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 business or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, as amended;
- (ii) has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by them in relation to the Trust Preferred Securities in, from or otherwise involving the United Kingdom; and

- (iii) has only issued or passed on or will only issue or pass on in the United Kingdom any document received by them in connection with the issue of the Trust Preferred Securities to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996, as amended, or is a person to whom such document may otherwise lawfully be issued or passed on.

Italian Selling Restrictions

The offering of the Trust Preferred Securities has not been cleared by CONSOB (the Italian securities authority) pursuant to Italian securities legislation and, accordingly, no Trust Preferred Securities may be offered, sold or delivered, nor may copies of the offering memorandum or of any other document relating to the Trust Preferred Securities be distributed in the Republic of Italy, except:

- (i) to professional investors (“*operatori qualificati*”), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of July 1, 1998 as amended;
- (ii) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998 (the “Financial Services Act”) and Article 33, first paragraph, of CONSOB Regulation No. 11971 of May 14, 1999, as amended; or
- (iii) to an Italian resident who submits an unsolicited offer to purchase the Trust Preferred Securities.

Any offer, sale or delivery of the Trust Preferred Securities or distribution of copies of the offering memorandum or any other document relating to the Trust Preferred Securities in the Republic of Italy under (i) or (ii) above must be:

- (A) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act and Legislative Decree No. 385 of September 1, 1993, as amended (the “Banking Act”); and
- (B) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy pursuant to which the issue or the offer of securities in the Republic of Italy may need to be preceded and followed by an appropriate notice to be filed with the Bank of Italy depending, *inter alia*, on the aggregate value of the securities issued or offered in the Republic of Italy and their characteristics.

NOTICE TO PURCHASERS

This offering memorandum has been prepared by the Bank, the Trust and the Company for use by the Bookrunner in making offers and sales of the Trust Preferred Securities outside the United States to non-U.S. Persons in reliance on Regulation S under the Securities Act.

Each purchaser of the Trust Preferred Securities offered hereby will be deemed to have represented and agreed that such purchaser understands that the Trust Preferred Securities and the Company Preferred Securities have not been registered under the Securities Act and may not be offered, sold or delivered in the United States or to, or for the account or benefit of, any U.S. Person, unless the Trust Preferred Securities and the Company Preferred Securities are registered under the Securities Act, or an exemption from the registration requirements thereof is available. The Trust Preferred Securities will bear a legend to that effect, unless the Bank, the Subsidiary, the Trust and the Company determine otherwise in compliance with applicable law (terms used above that are defined in Regulation S are used above as therein defined).

THE TRUST PREFERRED SECURITIES WILL INITIALLY BE REPRESENTED BY A TEMPORARY GLOBAL CERTIFICATE EXCHANGEABLE FOR INTERESTS IN A PERMANENT GLOBAL CERTIFICATE ON OR AFTER THE DATE WHICH IS 40 DAYS AFTER THE LATER OF THE DATE OF OFFERING OR CLOSING OF THE TRUST PREFERRED SECURITIES UPON CERTIFICATION OF NON-U.S. BENEFICIAL OWNERSHIP.

Any employee benefit plan subject to the fiduciary responsibility provisions of ERISA may not purchase either the Trust Preferred Securities or the Company Preferred Securities.

Each purchaser of the Trust Preferred Securities offered hereby will be deemed to have represented and agreed that (i) they have not offered or sold, and, prior to the expiry of six months from the closing of the offering of the Trust Preferred Securities will not offer or sell, any Trust Preferred Securities to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments, whether as principal or agent, for 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, (ii) they have complied and will comply with all applicable provisions of the Financial Services Act 1986 of the United Kingdom with respect to anything done by them in relation to the Trust Preferred Securities in, from or otherwise involving the United Kingdom and (iii) they have only issued or passed on and will only issue or pass on, in the United Kingdom, any documentation received by them in connection with the issue of the Trust Preferred Securities, if that person is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 or is a person to whom the document may otherwise lawfully be issued or passed on.

Each purchaser of the Trust Preferred Securities offered hereby will be deemed to have represented and agreed that, in connection with this offering, it has not offered or sold and will not offer or sell, directly or indirectly, the Trust Preferred Securities to the public in the Republic of Italy, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in the Republic of Italy, this offering memorandum, or any other offering material relating to the Trust Preferred Securities, and that such offers, sales and distributions have been and shall only be made in the Republic of Italy (i) to certain professional investors (as defined in Section 31, paragraph 2, of CONSOB Regulation No. 11522 of July 1, 1998, as amended: the “Professional Investors”) and (ii) in circumstances that are exempted from the rules on solicitation of investments (the “Exemptions”) pursuant to Section 100 of Legislative Decree No. 58 of February 24, 1998 (the “Unified Financial Act”) and Section 33, paragraph 1, of CONSOB regulation No. 11971 of May 14, 1999, as amended and adopted pursuant to the Unified Financial Act.

Each purchaser of the Trust Preferred Securities offered hereby will be deemed to have represented and agreed that offer or sale of the Trust Preferred Securities or any distribution of this offering memorandum or any rendering of advice in respect of an investment in the Trust Preferred Securities or Company Preferred Securities, within Italy in connection with this offering, will be conducted by registered securities dealing firms (*società d'intermediazione mobiliare* or “SIMs”), authorised banks or investment firms (as described in the Unified Financial Act) or financial companies enrolled in the special register described in Section 107 of Legislative Decree No. 385 of September 1,

1993 and in compliance with Section 129 of Legislative Decree No. 385 of September 1, 1993 (and implementing guidelines of the Bank of Italy).

Each purchaser of the Trust Preferred Securities offered hereby will be deemed to have represented and agreed that it will comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Trust Preferred Securities or possesses or distributes this offering memorandum or any offering material and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Trust Preferred Securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales.

GENERAL LISTING INFORMATION

Listing

Application has been made to list the Trust Preferred Securities on the Luxembourg Stock Exchange.

The Certificate of Trust of the Trust and the legal notice relating to the issue of the Trust Preferred Securities will be deposited prior to the listing with the Registrar of the District Court in Luxembourg (*Greffier en Chef du Tribunal d'Arrondissement de et a Luxembourg*), where such documents are available for inspection and where copies can be obtained upon request. As long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange, an agent for making payments and effecting transfers on the Trust Preferred Securities will be maintained in Luxembourg.

Subject to the selling restrictions described in “Subscription and Sale—Selling Restrictions” required in order to comply with applicable law, according to Chapter VI, Article 3, point A/II/2 of the rules and regulations of the Luxembourg Stock Exchange, the Trust Preferred Securities shall be freely transferable and therefore no transaction made on the Luxembourg Stock Exchange shall be cancelled.

Consents

The Trust has obtained all necessary consents, approvals and authorizations in connection with the issue of the Trust Preferred Securities. The issuance of the Trust Preferred Securities is expected to be authorized by the Trustees of the Trust on June 27, 2001. The issuance of the Subordinated Guarantees is expected to be authorized by the Bank on June 27, 2001.

No Material Change

Except as disclosed in this offering memorandum, there has been no material adverse change in the financial position of the Bank and the Group since December 31, 1999.

There has been no material adverse change in the financial position of the Trust since its creation and formation on June 13, 2001.

There has been no material adverse change in the financial position of the Company since its creation and formation on June 13, 2001.

Litigation

Save as disclosed in this offering memorandum, neither the Group, the Trust nor the Company is involved in any litigation or arbitration proceedings relating to claims or amounts which are material in the context of the issue of the Trust Preferred Securities nor, so far as the Group, the Trust or the Company is aware, is any such litigation or arbitration pending or threatened.

Available Documents

So long as the Trust Preferred Securities and the Company Preferred Securities are outstanding, the documents incorporated by reference herein (see “Incorporation by Reference”) and the annual audited consolidated and non-consolidated financial statements and interim unaudited consolidated and non-consolidated financial statements of the Bank will be available and can be obtained free of charge at the specified offices of the Principal Paying Agent and the Luxembourg Paying Agent (for so long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange).

Financial statements will not be published by the Trust or the Company.

For so long as the Trust Preferred Securities and the Company Preferred Securities are outstanding, copies of the following documents (and any amendments or modifications thereto) may be obtained free of charge at the specified offices of the Principal Paying Agent and the Luxembourg Paying Agent (for so long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange):

- Articles of Association of the Bank;
- the Company Agreement;
- the Trust Agreement and Certificate of Trust of the Trust;

- the Subordinated Guarantees;
- the Services Agreement; and
- the Agency Agreement.

Clearing Systems and Settlement

The Trust Preferred Securities have been accepted for clearance through the facilities of Euroclear and Clearstream Luxembourg.

The ISIN number for the Trust Preferred Securities sold pursuant to Regulation S is XS0131512450 and the Common Code is 013151245.

Notices

All notices shall be deemed to have been given upon (i) the mailing by first class mail, postage prepaid, of such notices to holders of the Trust Preferred Securities at their registered addresses as recorded in the register of holders of Trust Preferred Securities and (ii) so long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange and it is required by the rules of the Luxembourg Stock Exchange, publication of such notice to the holders of Trust Preferred Securities in English in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, if such publication is not practicable, in one other leading English language newspaper with general circulation in Europe, such newspaper being published on each business day in morning editions, whether or not it shall be published in Saturday, Sunday or holiday editions provided that, so long as securities are held in registered global form and if the rules of the Luxembourg Stock Exchange would so permit, notifications may be made through Euroclear and Clearstream Luxembourg in place of publication in a newspaper as described above.

GLOSSARY

“Bond Yield”	means the rate per annum equal to the annual yield to maturity of the Comparable Bond Issue, assuming a price equal to the Comparable Bond Price for the third TARGET Settlement Day prior to the Special Redemption Date.
“Business Day”	means any day (A) other than a Saturday, Sunday or a day on which banking institutions in The City of New York and London are authorised or required by law or executive order to remain closed and (B) that is a TARGET Settlement Day.
“Capital Deficiency Event”	will be deemed to have occurred if: (1) as a result of losses incurred by the Bank, on a consolidated or stand-alone basis, the total risk-based capital ratio of the Bank, on a consolidated or stand-alone basis, as calculated in accordance with applicable Italian banking laws and regulations, and either (A) reported in the Bank’s annual or semiannual consolidated or stand-alone accounts or (B) determined by the Bank of Italy and communicated to the Bank, falls below the then minimum requirements of the Bank of Italy specified in its February 2000 regulations governing <i>Strumenti Innovativi di Capitale</i> , as amended (currently 5.0%); or (2) the Bank of Italy, in its sole discretion, notifies the Bank that it has determined that the Bank’s financial condition is deteriorating such that an event specified in clause (1) will occur in the near term.
“Calculation Agent”	means the calculation agent appointed by the Bank, the Company and the Trust which initially shall be The Bank of New York or any successor thereto.
“Change in Law Tax Event”	means the receipt by the Bank of an opinion of a nationally recognised law firm or other tax adviser in the Relevant Jurisdiction, as appropriate, experienced in such matters, to the effect that, as a result of any amendment to, or change (including a change that has been definitely adopted but not taken effect) in, the laws or treaties (or any regulations promulgated thereunder) of such Relevant Jurisdiction or any political subdivision or taxing authority thereof or therein affecting taxation on or after the date of original issuance of the Trust Preferred Securities and the Company Preferred Securities as a result of which, there is more than an insubstantial risk that: (A) the Trust or the Company is or will be subject to more than a <i>de minimis</i> amount of taxes, duties or other governmental charges; (B) if a payment in respect of the Trust Preferred Securities or the Company Preferred Securities were to be due (whether or not the same is in fact then due) on or before the next Dividend Payment Date, the Trust or the Company, as the case may be, would be unable to make such payment without having to pay Additional Amounts or Company Additional Amounts, as the case may be; or (C) if a payment in respect of a Subordinated Deposit were to be due (whether or not the same is in fact then due) on or before the next interest payment date in respect of the Subordinated Deposit, the related Eligible Borrower would be unable to make such payment without having to pay Subordinated Deposit Additional Amounts; <i>provided, however</i> , that none of the foregoing events shall constitute a Change in Law Tax Event if such event or events may be avoided by the related Eligible Borrower, the Trust or the Company taking reasonable measures which (x) do not require the incurrence by the Bank, the Company or the Trust of material out-of-pocket expenses and (y) would not otherwise be disadvantageous to the Bank or the related Eligible Borrower, as determined in the Bank’s discretion.
“Company Special Event”	means (1) a Tier 1 Disqualification Event, (2) an Investment Company Event with respect to the Company or (3) a Tax Event other than with respect to the Trust.

“Comparable Bond Issue”	means, with respect to any Special Redemption Date, the benchmark bond selected by the Quotation Agent that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Company Preferred Securities from the Special Redemption Date to the Dividend Payment Date occurring on June 27, 2011.
“Comparable Bond Price”	means (a) the average of five Reference Bond Dealer Quotations, after excluding the highest and lowest such Reference Bond Dealer Quotations, or (b) if the Quotation Agent obtains fewer than five such Reference Bond Dealer Quotations, the average of all such Reference Bond Dealer Quotations.
“Dividend Limitation Notice”	means a notice given to the Company and to the holders of the Company Preferred Securities and the Trust Preferred Securities by the Bank, as holder of the Company Common Securities on or before the tenth business day immediately preceding a Dividend Payment Date, that the Company will pay no dividends or less than full dividends on such Dividend Payment Date, in which case no dividends or less than full dividends shall become due and payable on such Dividend Payment Date as set forth in the applicable Dividend Limitation Notice. The Bank may give a Dividend Limitation Notice in its sole discretion and for any reason, irrespective of whether a Capital Deficiency event has occurred, except that a Dividend Limitation Notice as to a Mandatory Dividend Payment Amount payable on a Mandatory Dividend Payment Date shall have no force or effect. Each Dividend Limitation Notice shall be given through the facilities of Euroclear or Clearstream. In the case of the Company Preferred Securities such Dividend Limitation Notice shall be given in writing by mail to each registered holder of the Company Preferred Securities (initially only the Trustee on behalf of the Trust), and in the case of the Trust Preferred Securities such Dividend Limitation Notice shall be given by mail and facsimile on behalf of the Trust to Euroclear and Clearstream, and, for so long as the Trust Preferred Securities or the Company Preferred Securities are listed on the Luxembourg Stock Exchange and such Exchange so requires, shall be published in the Luxembourg Wort and another newspaper of daily circulation in the English language in Europe.
“Eligible Investments”	means cash or book-entry securities, negotiable instruments, bank deposits (including Subordinated Deposits) swaps, derivative contracts (including the Derivative Contracts) or other securities which are identified as a permitted investment of a “company controlled” by the bank within the meaning of Rule 3a-5 under the U.S. Investment Company Act of 1940 (the “1940 Act”) at the time it is acquired by the Company.
“EURIBOR”	with respect to a EURIBOR Determination Date, means the rate (expressed as a percentage per annum) for deposits in euro for a three-month period commencing on the EURIBOR Reset Date that appears on Telerate Page 248 (as defined below) as of 11:00 a.m. (Brussels time) on that EURIBOR Determination Date. If such rate does not appear on Telerate Page 248, EURIBOR will be determined by the Calculation Agent (as defined below) on the basis of the rates at which deposits in euro for a three-month period commencing on the EURIBOR Reset Date and in a principal amount equal to an amount of not less than €1,000,000 that is representative for a single transaction in the Euro-zone interbank market at such time, are offered in the Euro-zone interbank market by four major banks in the Euro-zone interbank market selected by the Calculation Agent, after consultation with the Bank, as of 11:00 a.m. (Brussels time) on that EURIBOR Determination Date.

“EURIBOR Determination Date”	for any Dividend Period commencing on or after June 27, 2011, means the date that is two TARGET Settlement Days preceding the first day of such Dividend Period.
“EURIBOR Reset Date”	means the first day of any Dividend Period commencing on or after June 27, 2001.
“Interpretation Tax Event”	means the receipt by the Bank of an opinion of a nationally recognised law firm or other tax adviser experienced in such matters, to the effect that, as a result of (1) any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) (an “Administrative Action”); or (2) any amendment to, or change in the official position or the interpretation of such Administrative Action or any interpretation or pronouncement that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental, administrative or regulatory authority or body, irrespective of the manner in which such amendment or change is made known, which amendment or change is effective, or which pronouncement or decision is announced, or (3) a change in the official interpretation of Italian tax laws or the tax laws of any other applicable jurisdiction as currently in force contained in a public release by governmental tax authorities, generally accepted practice in Italy or such other applicable jurisdiction there is more than an insubstantial risk that: (A) the Trust or the Company is or will be subject to more than a <i>de minimis</i> amount of taxes, duties or other governmental charges; (B) if a payment in respect of the Trust Preferred Securities or the Company Preferred Securities were to be due (whether or not the same is in fact then due) on or before the next Dividend Payment Date, the Trust or the Company, as the case may be, would be unable to make such payment without having to pay Additional Amounts or Company Additional Amounts, as the case may be; or (C) if a payment in respect of a Subordinated Deposit were to be due (whether or not the same is in fact then due) on or before the next interest payment date in respect of the Subordinated Deposit, the related Eligible Borrower would be unable to make such payment without having to pay Subordinated Deposit Additional Amounts; <i>provided, however</i> , that none of the foregoing events shall constitute an Interpretation Tax Event if such event or events may be avoided by the related Eligible Borrower, the Trust or the Company taking reasonable measures which (x) do not require the incurrence of material out-of-pocket expenses and (y) would not otherwise be disadvantageous to the Bank or the related Eligible Borrower, as determined in the Bank’s discretion.
“Investment Company Event”	means that the Bank shall have requested and received an opinion of a nationally recognised United States law firm experienced in such matters to the effect that there is more than an insubstantial risk that the Trust or the Company is or will be considered an “investment company” within the meaning of the United States Investment Company Act of 1940 (the “1940 Act”), as a result of any judicial decision, any pronouncement or interpretation (irrespective of the manner made known), any adoption or amendment of any law, rule or regulation or any notice or announcement (including any notice or announcement of intent to adopt such rule or regulation) by any United States legislative body, court, governmental agency or regulatory authority after the date hereof.
“Junior Shares”	means all share capital of the Bank, including its preferred shares (“ <i>Azioni Privilegiate</i> ”), ordinary shares (“ <i>Azioni Ordinarie</i> ”) and savings shares (“ <i>Azioni di Risparmio</i> ”), now or hereafter issued, other than any share capital of the Bank that expressly or effectively ranks equally with the Subordinated Guarantees or any Parity Security, as applicable.

“Make-Whole Amount”	means the amount equal to the sum of the present value of the liquidation preference per Company Preferred Security, together with the present values of the scheduled Dividends per Company Preferred Security from the Special Redemption Date to the Dividend Payment Date on June 27, 2011, in each case, discounted to the Special Redemption Date on an annual basis at the Bond Yield calculated on the basis of the actual number of days in the relevant calendar year and the actual number of days in such period, plus 0.50%.
“Notional Dividend Amount”	means an amount of dividends relating to a current Dividend Payment Date representing the same proportion of full dividends as is represented by the Discretionary Dividend paid on the related Underlying Security as a proportion of full dividends thereon on the related dividend date for such Underlying Security; <i>provided that</i> if a Discretionary Dividend is paid on more than one Underlying Security on the same date, then the proportion described above will be calculated with reference to the Underlying Security as to which the discretionary dividend represented the higher or highest, as applicable, proportion of full dividends thereon.
“Parity Securities”	means (1) any preferred share, guarantee or security that qualifies as Tier 1 capital of the Bank under the applicable banking regulations (other than the Subordinated Guarantees) issued by the Bank which ranks equally with the Subordinated Guarantees (including any such guarantee or similar instrument of preferred securities or preferred or preference shares issued by any Subsidiary) and (2) the preferred securities or preferred or preference shares issued by a Subsidiary with the benefits of a guarantee or similar instrument from the Bank, which guarantee or similar instrument ranks equally with the Subordinated Guarantee, but does not include any such securities or shares issued to the Bank by any such Subsidiary.
“Paying Agent”	means the Principal Paying Agent and any co-paying agent.
“Permitted Share Transaction”	means an acquisition of Parity Securities (i) by conversion into or in exchange for Junior Shares, (ii) in connection with transactions effected by or for the account of customers of the Bank or any Subsidiaries or in connection with distribution, trading or market-making in respect of such securities, (iii) in connection with the satisfaction by the Bank or any of the Subsidiaries of its obligations under any employee benefit plans or similar arrangements with and for the benefit of employees, officers, directors or consultants, (iv) as a result of a reclassification of the capital stock of the Bank or any of the Subsidiaries or the exchange or conversion of one class or series of capital stock for another class or series of capital stock, or (v) the purchase of fractional interest in shares of the capital stock of the bank or any of the Subsidiaries pursuant to the conversion or exchange provisions of such capital stock or the securities being converted or exchanged.
“Principal Paying Agent”	means the principal paying agent with respect to the Trust Preferred Securities, as applicable, which initially shall be The Bank of New York.
“Reference Bond Dealer”	means (A) the Calculation Agent and (B) and other Bond dealer selected by the Calculation Agent after consultation with the Company.
“Reference Bond Dealer Quotations”	means, with respect to each Reference Bond Dealer, the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable Bond Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Calculation Agent by such Reference Bond Dealer at 11:00 a.m. (London time) on the third TARGET Settlement Day prior to the Special Redemption Date.
“Regular Redemption Price”	means the liquidation preference of €1,000 per Company Preferred Security, plus any accumulated and unpaid Dividends for the Dividend Period ending on the day immediately preceding the Regular Redemption Date, plus

	(without duplication) any unpaid Mandatory Dividends, plus any Company Additional Amounts thereon.
“Special Redemption Date”	means a date that occurs on or before the Dividend Payment Date occurring on June 27, 2011 on which Company Preferred Securities are redeemed in connection with the occurrence of a Tax Event, a Tier 1 Disqualification Event or an Investment Company Event.
“Special Redemption Price”	means the greater of (1) the liquidation preference of €1,000 per Company Preferred Security and (2) the Make-Whole Amount, plus, in the case of either (1) or (2), any accumulated and unpaid Dividends for the Dividend Period ending on the day immediately preceding the Special Redemption Date, plus (without duplication) any unpaid Mandatory Dividends, plus any Company Additional Amounts thereon.
“Subsidiary”	means any person or entity which is required to be consolidated with the Bank for financial reporting purposes under applicable Italian banking laws and regulations.
“TARGET Settlement Day”	means a day on which the Trans-European Automated Real Time Gross Settlement Express Transfer (“TARGET”) System is open.
“Tax Deductibility Event”	means the receipt by the Bank of an opinion of a nationally recognised law firm or other tax adviser, as appropriate, in the Relevant Jurisdiction in which an Eligible Borrower is located and experienced in such matters, to the effect that, as a result of (1) any amendment to, or clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations promulgated thereunder) of such Relevant Jurisdiction of any political subdivision or taxing authority thereof or therein affecting taxation, (2) any Administrative Action or (3) any amendment to, clarification of, or change in the official position or the interpretation of such Administrative Action or any interpretation or pronouncement that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental, administrative or regulatory authority or body in such Relevant Jurisdiction, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification or change is effective, or which pronouncement or decision is announced, in each case, after the date of the making of such Subordinated Deposit as a result of which there is more than an insubstantial risk that any interest deduction or other similar direct or indirect tax benefit available to such Eligible Borrower is or will be eliminated, reduced or otherwise adversely affected in any material respect <i>provided, however</i> , that none of the foregoing events shall constitute a Tax Deductibility Event unless the Bank, such Eligible Borrower, the LLC and the Trust have used their respective best efforts to achieve comparable tax benefits for the Bank, including without limitation replacing such Subordinated Deposit or such Eligible Borrower.
“Tax Event”	means a Change in Law Tax Event, an Interpretation Tax Event or a Tax Deductibility Event.
“Telerate Page 248”	means the display designated as “Page 248” on the Bridge Telerate Services (or such other page as may replace Page 248 on that service or such other service or services as may be nominated by the European Banking Federation as the information vendor for the purpose of displaying Euro-zone interbank offered rates for euro deposits).
“Tier 1 Disqualification Event”	means the Bank is notified by the Bank of Italy to the effect that the Company Preferred Securities may not be included in the Tier 1 capital of the Bank on either a consolidated or a stand-alone basis.

- “Trust Special Event” means (1) an Investment Company Event solely with respect to the Trust, but not with respect to the Company or (2) a Tax Event solely with respect to the Trust, but not with respect to the Company.
- “Underlying Security” means, in connection with the calculation of the Notional Dividend Amount to be taken into account in determining the amount of dividends required to be paid on the Company Preferred Securities on a Dividend Payment Date because Discretionary Dividends have been paid on Parity Securities, such series or class of Parity Securities as to which such Discretionary Dividends were paid.

REGISTERED AND HEAD OFFICE OF THE BANK

Banca Popolare Commercio e Industria S.c.a r.l.

Via della Moscova, 33
20121 Milan
Italy

LEGAL ADVISERS

To the Bank

As to Italian law

Grimaldi Clifford Chance

Via Clerici, 7
20121 Milan
Italy

As to United States law

**Clifford Chance
Limited Liability Partnership**

200 Aldersgate
London EC1A 4JJ
United Kingdom

**Clifford Chance Rogers &
Wells LLP**

200 Park Avenue
New York, N.Y. 10166

As to Italian taxation

Studio Vitali Romagnoli Piccardi e Associati

Via Crocefisso 12
20122 Milan
Italy

As to Delaware law

Richards, Layton & Finger, P.A.

One Rodney Square
Wilmington, DE 19801

To the Bookrunner

As to Italian and United States law

Cleary, Gottlieb, Steen & Hamilton

Piazza di Spagna, 15
00187 Rome
Italy

PROPERTY TRUSTEE

The Bank of New York

101 Barclay Street
Floor 21W
New York, N.Y. 10286

PRINCIPAL PAYING AGENT, CALCULATION AGENT, TRANSFER AGENT AND REGISTRAR

The Bank of New York

101 Barclay Street
Floor 21W
New York, N.Y. 10286

LUXEMBOURG LISTING AND PAYING AGENT

BNP Paribas Luxembourg

10A Boulevard Royal
L-2093 Luxembourg

