



**€500,000,000**

## ***IntesaBci Preferred Securities Investor Trust***

**6.988% Noncumulative Fixed/Floating Rate Guaranteed Trust Preferred Securities**

*(Liquidation Preference €1,000 per Trust Preferred Security)*

*representing a corresponding amount of*

**6.988% Noncumulative Fixed/Floating Rate Guaranteed LLC Preferred Securities of**

***IntesaBci Preferred Capital Company LLC III Delaware***

*guaranteed on a subordinated basis by*

***IntesaBci S.p.A.***

Each Trust Preferred Security (collectively, the "Trust Preferred Securities") issued by IntesaBci Preferred Securities Investor Trust (the "Trust") represents a beneficial interest in the assets of the Trust. The assets of the Trust will consist of a corresponding amount of noncumulative fixed/floating rate perpetual preferred limited liability company interests (collectively, the "LLC Preferred Securities") in IntesaBci Preferred Capital Company LLC III Delaware (the "LLC").

Dividends and redemption and liquidation payments paid by the LLC on the LLC Preferred Securities are expected to be used by the Trust to make dividends and redemption and liquidation payments on the Trust Preferred Securities.

The Trust Preferred Securities and the LLC Preferred Securities will be perpetual and will pay dividends at an annual rate of 6.988% of the liquidation preference until July 12, 2011. After July 12, 2011 the LLC Preferred Securities and the Trust Preferred Securities will pay dividends at a floating rate per annum equal to 2.6% above the Euro Interbank Offered Rate for three-month euro deposits on the liquidation preference as described in this Offering Circular.

IntesaBci S.p.A. (the "Bank" or the "Guarantor") will guarantee on a subordinated basis all payments in respect of the LLC Preferred Securities and the Trust Preferred Securities to the extent described in this Offering Circular and in the Subordinated Guarantees (as defined below).

**See "Investment Considerations" beginning on page 25 for a discussion of certain risks relating to an investment in the Trust Preferred Securities.**

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

Offering Price: €1,000 per Trust Preferred Security plus accrued dividends, if any, from the date the Trust Preferred Securities are issued.

Neither the Trust Preferred Securities nor the LLC Preferred Securities have been or will be registered under the United States Securities Act of 1933, as amended, or any state securities laws. Neither the Trust Preferred Securities nor the LLC Preferred Securities may be offered or sold within the United States or to, or for the account of, US persons (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The Trust Preferred Securities are being offered and sold only outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur. See "Subscription and Sale."

The Trust Preferred Securities are offered by the Managers, as specified herein, subject to prior sale, when, as and if issued to and accepted by the Managers, and subject to the approval of certain legal matters by counsel for the Managers and to certain other conditions. 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 ("Clearstream Luxembourg") on or about July 12, 2001 against payment therefor in immediately available funds.

***Morgan Stanley***

***Caboto – Gruppo IntesaBci***

*July 11, 2001*

**In making an investment decision, investors must rely on their own examination of the Bank, the Trust, and the LLC and the terms of this offering, including the merits and risks involved. Prospective investors should satisfy themselves that they understand all the risks associated with making investments in the Trust Preferred Securities. If investors are in any doubt whatsoever as to the risks involved in investing in the Trust Preferred Securities, they should consult their professional advisers.**

No person has been authorized to give any information or to make any representations other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been authorized by the Bank, the Trust, the LLC or the Managers (as defined under “Subscription and Sale”). Neither the delivery of this document nor any subscription, sale or purchase made in connection herewith shall, in any circumstances, create any implication that there has been no change in the affairs of the Bank, the Trust or the LLC since the date hereof.

The Bank, the Trust and the LLC, having made all reasonable inquiries, confirm that the information contained in this Offering Circular with regard to the Bank, the Trust and the LLC is true and accurate in all material respects, 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 Circular as a whole or any of such information or the expression of any such opinions or intentions misleading. Each of the Bank, the Trust and the LLC accepts responsibility accordingly.

### **Restrictions on Offers and Sales**

This Offering Circular 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 or an offer to sell or the solicitation of an offer to buy any of the securities offered hereby in any circumstances in which such offer or solicitation is unlawful.

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

No action has been taken as a matter of the laws of any jurisdiction to permit the public offering of the Trust Preferred Securities in any jurisdiction. Accordingly, the Trust Preferred Securities may not be offered or sold, directly or indirectly and this Offering Circular may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in that jurisdiction. In particular, the Trust Preferred Securities have not been, and will not be, registered under the US Securities Act of 1933, as amended (the “Securities Act”) and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Further information with regard to restrictions on offers and sales of the Trust Preferred Securities and the distribution of this Offering Circular is set out under “Subscription and Sale.”

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 US person.

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 Circular or of any other document relating to the Trust Preferred Securities be distributed in the Republic of Italy, except as described herein. See “Subscription and Sale.”

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.

### **INCORPORATION BY REFERENCE**

The following documents are incorporated by reference in, and form part of, this Offering Circular:

- (i) the audited consolidated and non-consolidated annual financial statements of the Bank for the years ended December 31, 1999 and 2000; and
- (ii) the unaudited consolidated interim financial statements of the Bank for the three months ended March 31, 2001.

The 1999 figures contained in this Offering Circular are unaudited and have been restated to make them comparable to the 2000 figures. Although incorporated by reference herein, the 1999 audited consolidated financial statements are not comparable to the 2000 audited consolidated financial statements.

Any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained herein in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

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 Dexia Banque Internationale à Luxembourg S.A. (the “Luxembourg Listing Agent”) so long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange. See “General Listing Information – Notices”.

## TABLE OF CONTENTS

|  | <i>Page</i> |   | <i>Page</i> |
|--|-------------|---|-------------|
| Incorporation by Reference .....               | 3           | Regulation and Supervision .....                  | 58          |
| Exchange Rate Information and Currency         |             | IntesaBci Preferred Securities Investor Trust.... | 70          |
| Translation .....                              | 4           | IntesaBci Preferred Capital Company LLC III       |             |
| Summary.....                                   | 5           | Delaware.....                                     | 72          |
| Investment Considerations .....                | 25          | Description of the Trust Securities.....          | 74          |
| Use of Proceeds .....                          | 27          | Description of the LLC Securities .....           | 91          |
| Capitalization .....                           | 28          | Description of the Initial Derivative             |             |
| Summary Consolidated Financial Information     |             | Contract .....                                    | 100         |
| and Related Discussion .....                   | 30          | Description of the Subordinated                   |             |
| Liabilities .....                              | 35          | Guarantees .....                                  | 103         |
| Business Description of the IntesaBci Group .. | 39          | Description of the Eligible Investments.....      | 107         |
| Recent Developments.....                       | 47          | Taxation .....                                    | 109         |
| Selected Statistical Data and Other            |             | Subscription and Sale.....                        | 117         |
| Information .....                              | 49          | General Listing Information.....                  | 119         |
| Management and Voting Syndicate .....          | 54          | Principal Executive Office of the Trust .....     | 121         |

## EXCHANGE RATE INFORMATION AND CURRENCY TRANSLATION

This Offering Circular contains translations of certain Italian lira amounts into euro at the rate of ITL 1,936.27 = €1.00. This translation is based on the exchange rate at which the Italian lira was fixed against the euro at the commencement of the third stage of the European Economic and Monetary Union on December 31, 1998 pursuant to the treaty establishing the European Communities (signed in Rome on March 25, 1957), as amended by the Treaty on European Union (signed in Maastricht on February 7, 1992) (the “Maastricht Treaty”).

The Bank publishes its consolidated financial statements in Italian lire and euro. In this Offering Circular, unless the context otherwise requires, references to “€” and “euro” are to the euro and references to “ITL “ are to Italian lire.

### Stabilizing Transactions

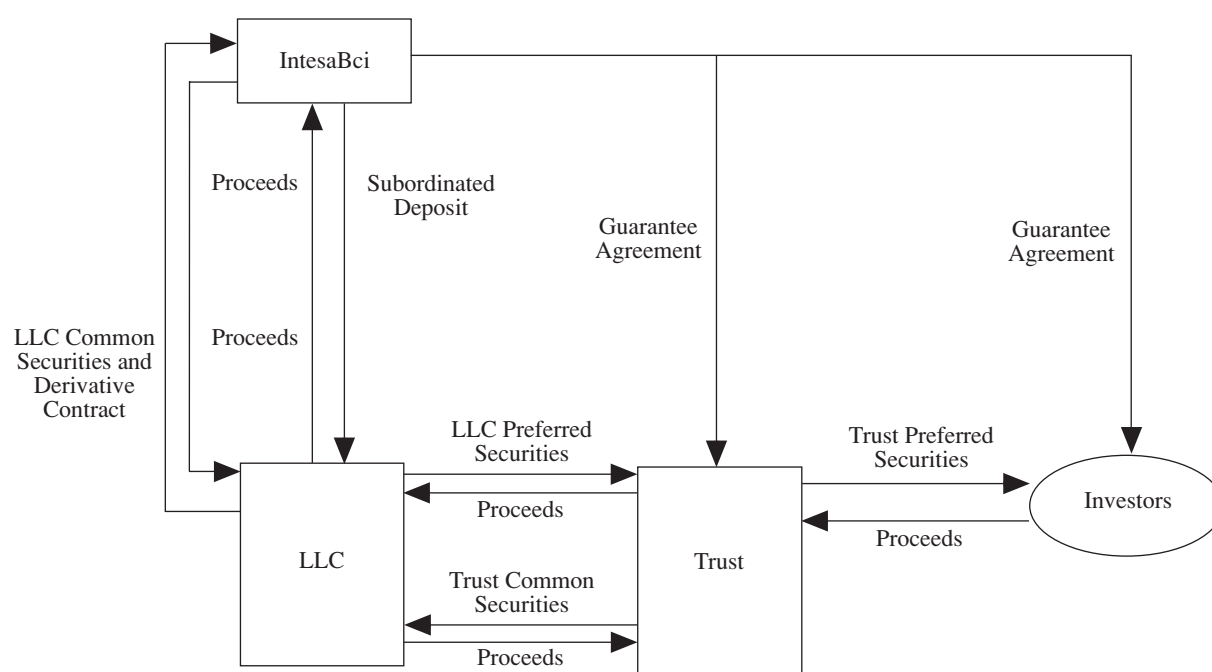
In connection with this issue, Morgan Stanley & Co. International Limited or any of its affiliates may over-allot or effect transactions which stabilize or maintain the market price of the Trust Preferred Securities at levels which might not otherwise prevail. Such stabilizing, if commenced, may be discontinued at any time. See “Subscription and Sale.”

## SUMMARY

*This summary does not contain all the information that may be important to prospective investors, who should read the entire Offering Circular carefully before deciding to purchase the Trust Preferred Securities. Special attention should be paid to the “Investment Considerations” section to determine whether an investment in the Trust Preferred Securities is appropriate to that investor. For a more complete description of the terms of the Trust Preferred Securities, the LLC 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 LLC 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 given to those terms under those headings.*

### Introduction

The diagram below outlines the relationship among investors in the Trust Preferred Securities, the Trust, the LLC and the Bank following the completion of the offering:



The Trust Preferred Securities will provide investors with rights to distributions and redemption and liquidation payments that are similar to those to which they would be entitled if they had purchased the most senior ranking noncumulative perpetual preferred securities issued directly by the Bank that have financial terms equivalent to those of the LLC Preferred Securities.

The LLC will receive payments under the Subordinated Deposits (which term includes the “Initial Subordinated Deposit” and any renewals and replacements thereof) and other Eligible Investments (as defined below) and is expected to use these payments to pay dividends on the LLC Preferred Securities.

The Trust will use any dividends, redemption payments or liquidation payments that it receives from the LLC on the LLC Preferred Securities to make payments to the holders of the Trust Preferred Securities.

Under the Subordinated Guarantees, the Bank will guarantee, on a subordinated basis, the respective dividend, redemption and liquidation payment obligations of the LLC and the Trust under the LLC Preferred Securities and the Trust Preferred Securities.

Under the Derivative Contracts (which term includes the “Initial Derivative Contract”, together with any renewals or replacements thereof), the LLC will become obligated to make payments to the Bank upon the occurrence of certain events described below.

The LLC will initially own all of the Trust Common Securities (the “Trust Common Securities”), and the Bank will initially own all of the LLC Common Securities (the “LLC Common Securities”).

The LLC Preferred Securities are expected to qualify as consolidated Tier 1 capital of the Bank and the Subordinated Deposit is expected to qualify as solo Tier 1 capital of the Bank under the relevant regulatory capital guidelines of the Bank of Italy.

### **IntesaBci S.p.A.**

The IntesaBci Group (the “Group”) is a full service Italian banking group that provides a wide range of retail and commercial banking and other financial services to customers in Italy and abroad and was formed through a series of acquisitions which began in 1998. On January 2, 1998 Banca Intesa S.p.A. (“Banca Intesa”) (formerly Banco Ambrosiano Veneto) acquired the entire issued share capital of Cassa di Risparmio delle Provincie Lombarde S.p.A. (“Cariplo”) and transferred a significant part of Banca Intesa’s retail banking operations to a wholly owned subsidiary, Banco Ambrosiano Veneto S.p.A. (“BAV”). Later in 1998, Banca Intesa acquired Banca Popolare Friuladria and Cassa di Risparmio di Parma e Piacenza.

In December 1999, Banca Intesa acquired 70% of the outstanding ordinary shares and savings shares of Banca Commerciale Italiana S.p.A. (“BCI”) in return for the issue of new ordinary shares of Banca Intesa and put warrants to BCI shareholders. On April 11, 2000 the Board of Directors of Banca Intesa approved a new organizational model for the IntesaBci Group which was subsequently revised on October 10, 2000. The new business plan (the “Business Plan”) envisaged: a) the merger of BAV, Cariplo and Mediocredito Lombardo S.p.A. (“Mediocredito Lombardo”) into Banca Intesa, which took place on December 31, 2000 and b) the full merger of Banca Intesa and BCI by the incorporation of BCI into Banca Intesa. The merger by incorporation of BCI into Banca Intesa forming IntesaBci S.p.A. (the “Bank”) was completed on May 1, 2001.

The IntesaBci Group is a leader in the Italian banking industry: it has the largest retail network in Italy with around 3,200 branches (after the disposal of some subsidiaries and branches as mentioned below in “Recent Developments”) and is the largest banking group in Italy based on customer loans and deposits. The IntesaBci Group’s principal services are focused on deposit taking, lending, collection and payment services, investment banking, capital markets services, securities custody and settlement, foreign currency transactions, leasing, factoring, asset and mutual fund management and life insurance. In addition, the Group has a developed international network to facilitate the cross-border banking requirements of its corporate customer base as well as having significant retail banking interests outside Italy.

As at December 31, 2001, the Group had, in aggregate, deposits from customers, securities in issue (including subordinated liabilities) and public funds administered of ITL 369,726 billion, an increase of 7.3% on 1999, and total assets of ITL 643,358.8 billion, an increase of 7.7% on 1999. Consolidated net income for the year ended December 31, 2000, was ITL 2,829.4 billion, an increase of 34.2% on 1999. As at December 31, 2000, the Group’s network included 3,637 branches in Italy. The branch network is complemented by over 2,000 personal financial consultants of Intesa Italia Sim and Genercomit Distribuzione. At the same date, the Group had 894 operational offices in over 40 countries all over the world, in addition to 35 representative offices.

### **IntesaBci Preferred Securities Investor Trust**

The Trust is a Delaware statutory business trust formed solely for the purpose of this transaction. The Trust will:

- hold the LLC Preferred Securities;
- issue the Trust Preferred Securities to investors;
- issue the Trust Common Securities to the LLC; and
- perform any functions necessary or incidental thereto.

The LLC Preferred Securities will be the only assets of the Trust.

The principal executive office of the Trust is located at Two Wall Street, 7th Floor, New York, New York 10005, USA.

### **IntesaBci Preferred Capital Company LLC III Delaware**

The LLC is a Delaware limited liability company formed in connection with this transaction. The LLC will:

- issue the LLC Preferred Securities to the Trust;
- issue the LLC Common Securities to the Bank;
- enter into the Initial Derivative Contract with the Bank;
- deposit a substantial portion of the proceeds of the issue of the LLC Preferred Securities and the LLC Common Securities and of the up-front fee payable by the Bank under the Initial Derivative Contract with the Bank in the form of the Initial Subordinated Deposit; and
- perform any functions necessary or incidental thereto.

The deposit with the Bank, together with other Eligible Investments that the LLC may make, are expected to generate income to enable the LLC to pay dividends on the LLC Preferred Securities. Payments received by the Trust in respect of the LLC Preferred Securities are expected to be used by the Trust to make payments to the holders of the Trust Preferred Securities.

“Eligible Investments” means cash or book-entry securities, negotiable instruments, bank deposits (including the Subordinated Deposits) swaps, derivative contracts or other investments so long as such eligible investments are identified as a permitted investment of a finance subsidiary pursuant to Rule 3a-5 under the US Investment Company Act of 1940 (the “1940 Act”) at the time it is acquired by the LLC.

The LLC will be managed by a board of directors initially having five members, including the Regular Independent Director (as defined below). Holders of LLC Preferred Securities will have the right to elect two additional directors in the limited circumstances described in this Offering Circular.

The principal executive office of the LLC is located at Two Wall Street, 7th Floor, New York, New York 10005, USA.



## **This Offering**

**Offered Securities** ..... 500,000 Trust Preferred Securities issued by the Trust having an aggregate liquidation preference of €500,000,000, 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 substantially identical to the terms of the LLC Preferred Securities.

**Issue Date** ..... On or about July 12, 2001.

**Dividends** ..... *Dividends Generally.* Periodic cash distributions (“Dividends”) on the Trust Preferred Securities with respect to each Dividend Period (as defined below) will be paid to the extent that Dividends on the LLC Preferred Securities have been declared or deemed declared and in each case paid by the LLC to the Trust or paid by the Bank under the Subordinated Guarantees or otherwise with respect to the corresponding Dividend Period. Amounts paid to holders of the Trust Preferred Securities in respect of Dividends and other distributions will be limited to payments received by the Trust from the LLC with respect to the LLC Preferred Securities or from the Bank under the Trust Subordinated Guarantee or otherwise.

Dividends on the LLC Preferred Securities will accrue on a noncumulative basis at a fixed rate per annum (the “Fixed Dividend Rate”) of 6.988% of the liquidation preference of €1,000 per LLC Preferred Security during each Dividend Period until the Dividend Period that begins on July 12, 2011 (the “Dividend Reset Date”), and during each Dividend Period thereafter at a floating rate per annum (each a “Floating Dividend Rate”) of 2.6% above the EURIBOR for three-month deposits.

Dividends at the Fixed Dividend Rate will be payable, if declared or deemed declared by the LLC’s Board of Directors (the “Board”), annually in arrear on July 12 of each year commencing July 12, 2002 to and including July 12, 2011, and thereafter quarterly in arrear on each January 12, April 12, July 12 and October 12, commencing July 12, 2011 (each a “Dividend Payment Date”).

Prior to the Dividend Period that begins on July 12, 2011, Dividends on the Trust Preferred Securities and the LLC 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 July 12, 2001, with respect to the Dividend payable on July 12, 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 July 12, 2011, Dividends will be calculated on a quarterly basis for each such Dividend Period from and including the EURIBOR Reset Date



(as defined herein) falling in such Dividend Period to but excluding the EURIBOR Reset Date falling in the next succeeding Dividend Period at the Floating Dividend Rate determined on the related EURIBOR Determination Date (as defined herein) for such Dividend Period. Dividends in respect of each Dividend Period commencing on or after July 12, 2011 for any period shorter than a year will be calculated on the basis of a 360-day year and the actual number of days elapsed during such Dividend Period. Each Dividend Payment Date commencing on or after July 12, 2011 will also be a EURIBOR Reset Date.

*Mandatory Dividends.* The LLC is required to pay Dividends in full (“Mandatory Dividends”) on the LLC Preferred Securities on each Dividend Payment Date unless: (1) the Bank does not have, according to the unconsolidated annual accounts of the Bank relating to the financial year immediately preceding the financial year in which a Dividend Payment Date falls or, where such accounts are not available, the last set of annual unconsolidated accounts approved by the Bank, net profits (“Distributable Profits”) that would be available for the payment of a dividend or the making of a distribution on any class of its share capital or the Bank has not declared or paid dividends on any class of its share capital based on the accounts used to calculate the relevant Distributable Profits; (2) the Bank is otherwise prohibited under applicable Italian banking laws or regulations from declaring a dividend or making a distribution on any class of its share capital; or (3) a Capital Deficiency Event has occurred and is continuing or would result from the payment thereof; *provided, that*, the LLC will be prohibited from paying Dividends for any Dividend Period upon the occurrence and during the continuation of a Capital Deficiency Event; *provided, however*, that notwithstanding the foregoing, if (A) dividends or other distributions have been declared or paid on Parity Securities or Junior Securities or (B) certain redemptions, repurchases or other acquisitions have been made by the Bank or any Subsidiary (as defined below), as the case may be, on or in respect of any Parity Securities (as defined below) or any Junior Securities (as defined below), the LLC will be required to declare and pay Dividends on the LLC Preferred Securities in the manner and in the amounts described herein under “Description of the LLC Securities—LLC Preferred Securities—Dividends.”

If for any reason any Mandatory Dividends are not declared on any Dividend Payment Date, then, under the terms of the LLC’s Amended and Restated Limited Liability Company Agreement (the “LLC Agreement”), such Mandatory Dividends automatically will be deemed declared and authorized to be paid on such Dividend Payment Date.

Dividends on the LLC 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 LLC Preferred Securities, holders of the LLC Preferred Securities (and, consequently, holders of the Trust Preferred 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 distributions are declared (or deemed declared) or paid for any future Dividend Period.

“Parity Securities” means (1) any preferred share, guarantee or similar instrument (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 Guarantees, but does not include any such securities or shares issued to the Bank by any such Subsidiary.

“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.

“Junior Securities” means all share capital of the Bank, including its preferred shares (“*Azioni Privilegiate*”), ordinary shares and savings shares (“*Azioni di Risparmio*”), 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.

***The Subordinated Guarantees***

*Guarantees Generally.* The Bank will guarantee, on a subordinated basis, certain payments on the LLC Preferred Securities (the “LLC Subordinated Guarantee”) and the Trust Preferred Securities (the “Trust Subordinated Guarantee” and, collectively with the LLC Subordinated Guarantee, the “Subordinated Guarantees”). Any such payment by the Bank under the Subordinated Guarantees is referred to herein as a “Subordinated Guarantee Payment.” 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 LLC Preferred Securities with rights to Dividends and LLC Additional Amounts (as defined below) and, in each case, rights upon redemption and liquidation that are equivalent to those to which the holders would have been entitled if the Trust Preferred Securities or the LLC Preferred Securities, as the case may be, were issued directly by the Bank.

*Trust Subordinated Guarantee.* 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 in case of payment made or required under the LLC Subordinated Guarantee) under the Trust Subordinated Guarantee to pay: (1) Dividends on the Trust Preferred Securities to the extent Dividends have been declared (or deemed declared) on the LLC 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 (other than in connection with the distribution of LLC Preferred Securities to holders of the Trust Preferred Securities upon the occurrence of a Trust Special Event), 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.

*LLC Subordinated Guarantee.* In addition, to the extent of the amount not otherwise paid in accordance with the terms of the LLC Preferred Securities, the Bank will be obligated unconditionally (without duplication in case of payment made or required under the Trust Subordinated Guarantee) under the LLC Subordinated Guarantee to pay: (1) Dividends that have been declared (or deemed declared) on the LLC Preferred Securities; (2) the applicable Redemption Price with respect to any LLC Preferred Securities called for redemption by the LLC; (3) upon liquidation of the LLC, the liquidation preference of €1,000 per LLC Preferred Security; and (4) LLC 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 LLC Subordinated Guarantee.

*Related Guarantee Provisions.* Notwithstanding the restrictions on the declaration and payment of Dividends by the LLC, the Bank will be permitted to make payments to the Trust, as holder of the LLC 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 so long as a Capital Deficiency Event (as defined below) has occurred and is continuing; *provided further, that*, notwithstanding the foregoing, if (A) dividends or other distributions have been declared or paid or (B) certain redemptions, repurchases or other acquisitions have been made by the Bank or any Subsidiary, as the case may be, on or in respect of any Parity Securities or by the Bank on or in respect of any Junior Securities, the Bank will be required to make a Subordinated Guarantee Payment in respect of Mandatory Dividends on the LLC Preferred Securities in the manner and amount described herein under “Description of the LLC Securities—LLC Preferred Securities—Dividends” and “Description of the Subordinated Guarantees—General.”

If the LLC fails to make a Capital Deficiency Payment to the Bank in cash upon the occurrence of a Capital Deficiency Event (as defined below), under the Subordinated Deposits, all or a portion of the Subordinated Deposits will be reduced accordingly to set-off arrangements contained in the Subordinated Deposits. Consequently, it is anticipated that a substantial portion of any claim of the holders of the LLC Preferred Securities after the occurrence of a Capital Deficiency Event will be required to be satisfied under the LLC Subordinated Guarantee.

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), *pari passu* with the most senior preferred shares of the Bank, if any, and senior to the share capital of the Bank, including its other preferred shares, ordinary shares and savings shares.

**Derivative Contracts** ..... Upon entering into the Initial Derivative Contract, the Bank will pay an up-front fee to the LLC in the amount of €7,000,000 which the LLC will invest in Eligible Investments. If the Initial Derivative Contract is terminated before July 12, 2021 and not renewed or replaced, the LLC will refund the Bank's up-front fee *pro rata* based on the remaining term of such contract. Under the Derivative Contracts, the LLC will agree to make a Capital Deficiency Payment to the Bank upon the occurrence of a Capital Deficiency Event. Neither the Bank nor the LLC is obligated to make any other payments under the Derivative Contracts. The Subordinated Deposits will secure the LLC's obligations under the Derivative Contracts. The Initial Derivative Contract will expire on July 12, 2021, although the Bank and the LLC will undertake 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 mutual consent of the Bank and the LLC, with the prior approval, if then required, of the Bank of Italy.

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

**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 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 *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, under the Derivative Contracts the LLC 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 LLC under the Derivative Contracts (the "Capital Deficiency Payment"). If the LLC fails to make a Capital Deficiency Payment in cash, the obligation of the LLC to pay the Bank a 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 LLC by the amount of such Capital Deficiency Payment, according to set-off arrangements contained in the Subordinated Deposits.

The occurrence of a Capital Deficiency Event will not cause a corresponding redemption of the LLC Preferred Securities.

**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 Deposits or the Subordinated Guarantees, in

which case, holders of the Trust Preferred Securities will have a preference over holders of the Trust Common Securities as to Dividend payments and payments upon redemption and liquidation. The Trust Preferred Securities will rank *pari passu* among themselves.

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

***Payment of Additional***

***Amounts*** ..... All payments in respect of the Trust 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 (as defined below), (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, as further Dividends, such additional amounts (“Additional Amounts”) as may be necessary in order that the net amounts received by the holders of the Trust Securities (or a third party on the holder’s behalf), after such withholding or deduction, will equal the amount which would have been received in respect of the Trust Securities in the absence of such withholding or deduction, except that no such Additional Amounts will be payable to a holder of Trust Securities (or a third party on any such holder’s behalf) with respect to any Trust Securities to the extent that such Relevant Tax is imposed or levied by virtue of such holder (or the beneficial owner of such Trust Securities) (1) having some connection with the Relevant Jurisdiction, other than being a holder (or beneficial owner) of such Trust 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 Trust or the LLC or either of their agents has provided the beneficial owner of such Trust Securities or its nominee with at least 60 days’ prior written notice of an opportunity to make such a declaration or claim.

The LLC will pay such additional amounts (“LLC Additional Amounts”) to each holder of the LLC 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 LLC, 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 LLC Preferred Securities may be redeemed by the LLC, 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 July 12, 2011, with the prior approval, if then required, of the Bank of Italy. Upon the occurrence of an LLC Special Event (as defined below) (other than a Change in Law Tax Event (as defined below)), the LLC Preferred Securities may be redeemed by the LLC, at its option, in whole but not in part, at the Regular Redemption Price on any Dividend Payment Date if such redemption occurs on or after July 12, 2011 (a “Regular Redemption Date”), or at the Special Redemption Price (as defined below) on any Dividend Payment Date if such redemption occurs prior to July 12, 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, the LLC Preferred Securities may be redeemed by the LLC, 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 LLC redeems the LLC Preferred Securities, the Trust must redeem a number of Trust Securities having an aggregate liquidation preference equal to the aggregate liquidation preference of the LLC Preferred Securities so redeemed at the Regular Redemption Price or the Special Redemption Price, as the case may be, per Trust 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 Securities will receive a corresponding number of LLC Preferred Securities with the equivalent aggregate liquidation preference.

The “Regular Redemption Price” means the liquidation preference of €1,000 per LLC 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 LLC Additional Amounts thereon.

The “Special Redemption Price” means the greater of (1) the liquidation preference of €1,000 per LLC Preferred Security and (2) the Make-Whole Amount (as defined below), 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 LLC Additional Amounts thereon.

“Redemption Price” means the Regular Redemption Price or the Special Redemption Price, as the case may be.



“Make-Whole Amount” means the amount equal to the sum of the present value of the liquidation preference of €1,000 per LLC Preferred Security, together with the present values of the scheduled noncumulative Dividend payments per LLC Preferred Security from the Special Redemption Date to the Dividend Payment Date on July 12, 2011, in each case, discounted to the Special Redemption Date on an annual basis, calculated on the basis of the actual number of days in the relevant calendar year and the actual number of days in such period, at the German Bund Rate (as defined herein) plus .50%.

An “LLC Special Event” means (1) a Capital Event, (2) an Investment Company Event or (3) a Tax Event.

A “Trust Special Event” means (1) an Investment Company Event solely with respect to the Trust, but not with respect to the LLC or (2) a Tax Event solely with respect to the Trust, but not with respect to the LLC or an Eligible Borrower.

A “Capital Event” means the Bank is notified by the Bank of Italy to the effect that the LLC Preferred Securities or the Subordinated Deposit may not be included in the consolidated or stand-alone Tier 1 capital of the Bank.

An “Investment Company Event” means that the Bank shall have requested and received an opinion of a nationally recognized United States law firm experienced in such matters to the effect that there is more than an insubstantial risk that the Trust or the LLC is or will be considered an “investment company” within the meaning of the 1940 Act, as a result of any judicial decision, any pronouncement or interpretation (irrespective of the manner made known), 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.

A “Tax Event” means a Change in Law Tax Event, an Interpretation Tax Event or a Tax Deductibility Event.

A “Change in Law Tax Event” means the receipt by the Bank of an opinion of a nationally recognized 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 other change (including any change that has been adopted, but which has not yet 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, which amendment or other change is effective, or which prospective change is announced on or after the date of original issuance of the Trust Preferred Securities and the LLC Preferred Securities, as a result of which there is more than an insubstantial risk that: (A) the Trust or the LLC is or will be subject to more than a *de minimis* amount of taxes, duties or other governmental charges; (B) if a payment in respect of the Trust Preferred Securities or the LLC Preferred Securities were to be due (whether or not the same is in fact then due) on or before the next Dividend Payment Date, the Trust or the LLC, as the case may be, would be unable to make such payment without having to



pay Additional Amounts or LLC 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 such Subordinated Deposit, the related Eligible Borrower would be unable to make such payment without having to pay Subordinated Deposit Additional Amounts; *provided, however*, 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 LLC taking reasonable measures which (x) do not require the Eligible Borrower, the LLC or the Trust to incur 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.

An "Interpretation Tax Event" means, to the extent not covered in the definition of "Change of Law Tax Event", the receipt by the Bank of an opinion of a nationally recognized law firm or other tax adviser in the Relevant Jurisdiction, as appropriate, experienced in such matters, to the effect that, as a result of (1) a change in the official interpretation of 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, or (2) 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) (for purposes of this definition, an "Administrative Action"); or (3) any clarification of, or change in the official position or the interpretation of such Administrative Action or any interpretation or pronouncement that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental, administrative or regulatory authority or body, irrespective of the manner in which such clarification or change is made known, which Administrative Action, clarification or change is effective, or which notice or announcement is made, on or after the date of the initial issuance of the Trust Preferred Securities and the LLC Preferred Securities, as a result of which there is more than an insubstantial risk that (A) the Trust or the LLC is or will be subject to more than a *de minimis* amount of taxes, duties or other governmental charges; (B) if a payment in respect of the Trust Preferred Securities or the LLC Preferred Securities were to be due (whether or not the same is in fact then due) on or before the next Dividend Payment Date, the Trust or the LLC, as the case may be, would be unable to make such payment without having to pay Additional Amounts or LLC 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 such Subordinated Deposit, the related Eligible Borrower would be unable to make such payment without having to pay Subordinated Deposit Additional Amounts; *provided, however*, 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 LLC taking reasonable measures which (x) do not require the Eligible Borrower, the LLC or the Trust to incur 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.

A "Tax Deductibility Event" means the receipt by the Bank of an opinion of a nationally recognized 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 or any political subdivision or taxing authority thereof or therein affecting taxation, (2) 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) in such Relevant Jurisdiction (for purposes of this definition, an "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 such Eligible Borrower will be subject to more than a *de minimis* additional amount of national income taxes due to a change or modification of the deductibility of the interest payments on such Subordinated Deposit, *provided, however*, 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.

Subject to certain exceptions described herein under "Description of the Trust Securities—Redemption" and in the LLC Agreement, so long as any LLC 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 Securities, through a sinking fund or otherwise, unless and until (A) full Dividends on all LLC Preferred Securities for the prior financial year (or such lesser period during which the LLC 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 LLC has declared Dividends on the LLC 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 its affiliates observe the foregoing limitations.

**Liquidation Preference** ..... Trust Preferred Securities: liquidation preference of €1,000 per Trust Preferred Security.

LLC Preferred Securities: liquidation preference of €1,000 per LLC 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 Securities will be entitled to receive a corresponding number of the LLC Preferred Securities with an equivalent aggregate liquidation preference.

So long as the LLC Preferred Securities are outstanding, to the fullest extent permitted by law, the LLC 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 LLC, holders of the LLC Preferred Securities will, subject to certain limitations, be entitled to receive out of assets of the LLC available for distribution to security holders after satisfaction of liabilities of creditors in accordance with applicable law and distribution of the Subordinated Deposits and Eligible Investments to the holders of the LLC Common Securities, the liquidation preference of €1,000 per LLC 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 LLC Preferred Securities are outstanding, if the Bank is dissolved, liquidated or wound up, the LLC must be dissolved, liquidated or wound up. So long as any Trust Preferred Securities are outstanding, if the Bank or the LLC is dissolved, liquidated or wound up, the Trust must be dissolved, liquidated or wound up.

Upon liquidation, dissolution or winding-up of the LLC, the Property Trustee (as defined herein) shall enforce the LLC Subordinated Guarantee solely for the benefit of the Trust as sole holder of the LLC Preferred Securities.

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

**Regular Independent Director** The LLC Agreement will provide that, for as long as any LLC Preferred Securities are outstanding, there will at all times be a member of the Board that is not an employee, a non-independent director or an 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 LLC 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 LLC 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 LLC under the LLC Preferred Securities is continuing, be entitled to replace the Regular Independent Director in such majority's sole and absolute discretion.

So long as any LLC Preferred Securities are outstanding, certain actions (the "Designated Actions") by the LLC 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 LLC Common Securities other than in accordance with the LLC Agreement, (2) the conversion of the LLC into another type of entity or the consolidation or merger of the LLC into any other entity, the consolidation or merger of any other entity with or into the LLC or the sale of all or substantially all of the assets of the LLC other than in accordance with the LLC Agreement, (3) to the fullest extent permitted by law, any dissolution, liquidation or winding-up of the LLC that is not concurrent with the dissolution, liquidation or winding-up of the Bank, (4) any amendment, modification, renewal or replacement of the LLC Preferred Securities, the LLC Subordinated Guarantee, the Subordinated Deposits or the Derivative Contracts (or any other security, contract obligation, agreement or instrument that is an asset of the LLC) which adversely affects the powers, preferences or special rights of the LLC Preferred Securities in any material respect, (5) the approval of the direct or indirect sale, transfer or other disposition by the Bank of the LLC Common Securities 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) the approval of the direct or indirect sale, transfer or other disposition by the LLC of the Trust Common Securities other than to a subsidiary of the Bank incorporated in any State in the United States that is deemed to be a "company controlled by the parent company" within the meaning of Rule 3a-5 of the 1940 Act and (7) any other action by the LLC or the Bank that could reasonably be expected to adversely affect the interests of the holders of the LLC 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 LLC in respect of the Subordinated Deposits, the LLC Subordinated Guarantee, the Derivative Contracts or any other right or remedy or course of action available to the LLC against the Bank or any other party; provided, however, that, unless otherwise required by law, the Regular Independent Director shall not take any action if otherwise directed by the Property Trustee as the holder of the LLC Preferred Securities.

***LLC Common Securities*** ..... Any net income of the LLC not required to pay Dividends or make other payments on the LLC Preferred Securities or to pay expenses of the LLC shall be distributed as soon as practicable to the Bank, as holder of the LLC Common Securities. Subject to the requirements of applicable law, the LLC may also use any of its assets or proceeds therefrom, other than the Subordinated Deposits and proceeds therefrom, to pay its expenses at any time.

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

***Voting Rights*** ..... Except as otherwise expressly provided, all voting rights shall vest in the LLC 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 LLC under the LLC 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 LLC Preferred Securities, to pursue any remedy available to such holders against the Bank under the LLC Subordinated Guarantee.

The LLC Preferred Securities will also be non-voting, except that holders of the LLC 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 LLC Additional Amounts have not been paid in full by the LLC or by the Bank under the Subordinated Guarantees, together with any Guarantor Additional Amounts that may be payable thereon, for any Dividend Payment Date. In addition, a majority in liquidation preference of the outstanding LLC Preferred Securities will have the right to replace the Special Independent Director so long as such Capital Deficiency Event or non-payment is continuing. Any Special Independent Director of the Board so elected will vacate office if Dividend payments are paid on the LLC Preferred Securities, either by the LLC or by the Bank under the LLC Subordinated Guarantee, on each Dividend Payment Date for 12 consecutive months.

If the Property Trustee fails to enforce (1) the rights of the Trust under the LLC Preferred Securities against the LLC or (2) the rights of the Trust under the LLC Subordinated Guarantee against the Bank after a holder of the Trust Preferred Securities has made a written request, such holder may directly institute a legal proceeding against the LLC to enforce the Trust’s rights under the LLC Preferred Securities or against the Bank to enforce the Trust’s rights under the LLC Subordinated Guarantee, without first instituting any legal proceeding against the Property Trustee, the Trust, the LLC or the Independent Directors.

If the Independent Directors fail to enforce the rights of the LLC under the Subordinated Deposit against the applicable Eligible Borrower after a holder of the LLC Preferred Securities has made a written request, such holder may directly institute a legal proceeding against such Eligible Borrower to enforce the LLC’s rights under such Subordinated Deposit without first instituting any

legal proceeding against the Property Trustee, the LLC or the Independent Directors.

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 LLC Preferred Securities, as the case may be (excluding any Trust Preferred Securities or LLC Preferred Securities, as the case may be, held by the Bank or any of its affiliates, with certain exceptions).

***Subordinated Deposits*** ..... The LLC will use a substantial portion of the proceeds from the issuance of the LLC Securities to make the Initial Subordinated Deposit with the Bank in order to secure its obligations to the Bank under the Initial Derivative Contract (including any renewal or replacement thereof).

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 and be payable as follows: (1) interest will accrue to but excluding July 12, 2011 at the annual rate of 6.85% of the principal amount thereof and will be payable annually in arrear on the same dates as the Dividend Payment Dates of the Trust Preferred Securities and the LLC Preferred Securities and (2) thereafter, interest will accrue at the annual rate of 2.46% above 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 LLC Preferred Securities. Interest on the Initial Subordinated Deposit will be determined and will accrue in conformity with the conventions for Dividend determination and accrual under the LLC Agreement.

The Initial Subordinated Deposit will mature on July 12, 2021 *provided, however*, that if the Initial Derivative Contract is renewed or replaced, the LLC 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 conjunction 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 LLC may reinvest the proceeds from the repayment of the Initial Subordinated Deposit or any other Subordinated Deposits only if: (1) there would be no adverse tax consequences to the LLC or 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 LLC Preferred Securities; (3) the Bank receives prior written confirmation from the Bank of Italy that the LLC Preferred Securities would continue to qualify as Tier 1 capital of the Bank on a consolidated and stand-alone basis as a consequence of such reinvestment; (4) neither the Trust nor the LLC would be required to register as an investment company under the 1940 Act; (5) the



LLC 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 LLC receives an officers' certificate and an opinion of counsel stating that all conditions precedent to such reinvestment have been complied with.

**Services Agreement .....** The LLC and the Trust will enter into a Services Agreement with Lord Securities Corporation on or about July 12, 2001. 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 LLC and the Trust. The Services Agreement may not be terminated so long as any of the LLC Securities or the Trust Preferred Securities remain outstanding.

**Governing Law.....** The LLC Agreement, including the terms of the LLC Securities, and the Trust Agreement, including the terms of the Trust Preferred Securities, will be governed by the laws of the State of Delaware. The 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 the Republic 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 The Bank of New York, 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 Preferred 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 Preferred Securities— Form, Denomination and Transfer."

**Certain Covenants of the Bank .....** The Bank will agree, *inter alia*, that, for so long as any of the Trust Preferred Securities or the LLC 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 LLC Agreement. Each of the Bank and the LLC will agree, *inter alia*, that, for so long as any of the Trust Preferred Securities or the LLC Preferred Securities are outstanding: (1) it will not issue any preferred securities or preferred or preference shares ranking senior to its obligations under the Subordinated Guarantees; (2) it will cause the LLC 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 cause the Trust Common Securities to be held by the LLC 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 of 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; (4) it will not permit, or take any action to cause, the Trust to issue securities other than the Trust Preferred Securities; (5) to the fullest extent permitted by law, it will not permit, or take any action to cause, the liquidation, dissolution or winding-up of the LLC or the Trust (other than in the case of a Trust Special Event), unless the Bank (or in the case of the Trust, the LLC 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; (6) it will not assign its obligations under the Subordinated Guarantees except in the case of the merger, de-merger (“*scissione*”) 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; (7) if the Bank or the LLC is in liquidation other than as contemplated by clause (4), it will cause the Trust to liquidate; (8) it will cause the Trust to irrevocably assign its rights under the LLC Subordinated Guarantee only to the Property Trustee; and (9) it will not cause the LLC to incur indebtedness for borrowed money or take any action that could reasonably be expected to cause an LLC Special Event to occur.

***Use of Proceeds*** ..... All of the proceeds from the sale of the Trust Preferred Securities will be invested by the Trust in the LLC Preferred Securities. The LLC will use the proceeds from the sale of the LLC Securities and the up-front fee payable by the Bank under the Initial Derivative Contract to invest in Eligible Investments, including the Initial Subordinated Deposit. The Bank will use the proceeds from the Initial Subordinated Deposit for general corporate purposes.

***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 LLC Preferred Securities are expected to be assigned a rating of “a2” by Moody’s Investors Service Inc. and “BBB+” by Standard & Poor’s Ratings Group.

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: 013194432  
ISIN: XS0131944323

## INVESTMENT CONSIDERATIONS

*Prospective investors should carefully consider the following investment considerations with the other information contained in this Offering Circular before purchasing Trust Preferred Securities.*

### **The Group's Financial Condition**

If the Group's financial condition were to deteriorate, the LLC and the holders of the Trust Preferred Securities and the LLC Preferred Securities could suffer direct and materially adverse consequences, including suspension of the payment of noncumulative Dividends on the Trust Preferred Securities and the LLC 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 LLC 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 LLC Securities" and "Description of the Subordinated Guarantees."

### **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 LLC 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 LLC 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 LLC 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 LLC Preferred Securities (and, accordingly, the payment of Dividends on the Trust Preferred Securities) will not be required under the LLC Agreement (and, accordingly, no payment with respect to Dividends will be due under the Subordinated Guarantees) unless such Dividends are Mandatory Dividends.

Dividends on the LLC 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 LLC Preferred Securities, holders of the LLC 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 an LLC Special Event or Trust Special Event**

### *Redemption upon Occurrence of an LLC Special Event.*

If an LLC Special Event (other than a Change In Law Tax Event) shall have occurred, then the LLC Preferred Securities (and, consequently, the Trust Preferred Securities) will be redeemable at the option of the LLC, subject to the prior approval, if then required, of the Bank of Italy, in whole but not in part, at the Regular Redemption Price on any Dividend Payment Date on or after July 12, 2011, or at the Special Redemption Price on any Dividend Payment Date prior to July 12, 2011. In addition, upon the occurrence of a Change In Law Tax Event with respect to the LLC, the LLC Preferred Securities may be redeemed by the LLC, 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 LLC Securities—LLC Preferred Securities—Redemption and Repurchase of LLC 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 LLC Preferred Securities with an equivalent aggregate liquidation preference. Upon such distribution, the LLC Preferred Securities may not be listed on the Luxembourg Stock Exchange or any other stock exchange. In addition, the LLC will furnish holders of the LLC 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 LLC Preferred Securities to clear and settle through Euroclear and Clearstream Luxembourg. As a result, the liquidity and market price of the LLC 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 LLC Preferred Securities are distributed to holders of the Trust Securities, the LLC and the Bank will agree to use their reasonable efforts to cause the listing of the LLC Preferred Securities on the Luxembourg Stock Exchange. Upon any such listing, the Bank and the LLC will notify holders of the LLC Preferred Securities in accordance with the provisions set forth in “General Listing Information—Notices.” The LLC 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 LLC Preferred Securities will also be non-voting, except that, upon the occurrence of a Capital Deficiency Event or the failure of the LLC to pay Mandatory Dividends and LLC Additional Amounts, or of the Bank to pay amounts in respect thereof under the LLC Subordinated Guarantee, for any Dividend Period, the holders of the LLC 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 LLC Preferred Securities, either by the LLC or by the Bank under the LLC 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, and if such a market were to develop, the Managers are under no obligation to maintain such a market. The liquidity and the market prices for the Trust Preferred Securities can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the 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 proceeds of the offering are €500,000,000. All of the proceeds from the sale of the Trust Securities will be invested by the Trust in the LLC Preferred Securities. The LLC will use the proceeds from the sale of the LLC Securities (including the LLC Common Securities) and the up-front fee payable by the Bank under the Initial Derivative Contract to invest in Eligible Investments, including the Initial Subordinated Deposit, and to pay the expenses of the LLC, including the management and underwriting commissions. See “Subscription and Sale”. The Bank intends to use the proceeds from the Initial Subordinated Deposit for general corporate purposes.

## CAPITALIZATION

The following table sets out the capitalization and indebtedness of the IntesaBci Group (unadjusted for the issue of Trust Preferred Securities) as at December 31, 2000 and March 31, 2001, and is derived from the audited consolidated financial statements of the IntesaBci Group as at December 31, 2000 and the unaudited consolidated financial statements of IntesaBci as at March 31, 2001, respectively.

|   | As at<br>December<br>31, 2000 | As at<br>March<br>31, 2001 | Subsequent <sup>(1)</sup><br>Financings |
|---|-------------------------------|----------------------------|---|
|   | (in billions of lire)         |                            |   |
| <b>Shareholders' equity</b>                     |                               |                            |   |
| Ordinary shares .....                           | 5,047                         | 5,047                      | 867 <sup>(3)</sup>                      |
| Savings shares .....                            | 789                           | 789                        | 52                                      |
| <b>Total Share Capital</b> .....                | <u>5,836<sup>(2)</sup></u>    | <u>5,836<sup>(2)</sup></u> |   |
| Ordinary reserves .....                         | 1,496                         | 1,496                      |   |
| Other reserves <sup>(4)</sup> .....             | 13,549                        | 15,326                     | 2,184 <sup>(5)</sup>                    |
| <b>Total reserves</b> .....                     | <u>15,045</u>                 | <u>16,822</u>              |   |
| <b>Net income for the period</b> .....          | <u>2,829</u>                  | <u>937</u>                 |   |
| <b>Total shareholders' equity</b> .....         | 23,710                        | 23,595                     |   |
| <b>Minority interests</b> .....                 | 5,175                         | 5,314                      | (3,037) <sup>(6)</sup>                  |
| <b>Long-term subordinated debt</b> .....        | 18,860                        | 18,733                     | 1,710 <sup>(7)</sup>                    |
| <b>Total Capitalization<sup>(8)</sup></b> ..... | <u>47,745</u>                 | <u>47,642</u>              |   |
| <b>Indebtedness</b>                             |                               |                            |   |
| Due to banks.....                               | 176,313                       | 191,526                    |   |
| Due to customers .....                          | 227,213                       | 221,898                    |   |
| Security issued .....                           | 123,653                       | 126,820                    |   |
| <b>Total Indebtedness</b> .....                 | <u>527,179</u>                | <u>540,244</u>             |   |

- (1) Main changes occurred after March 31, 2001 include (i) merger of BCI, (ii) conversion into euro of the share capital, (iii) partial conversion of convertible bonds and exercise of warrants and (iv) changes in subordinated debt, but exclude the effects of the IntesaBci Put Warrants.
- (2) The total issued share capital of Banca Intesa is comprised of 5,047,426,421 ordinary shares and 788,866,972 savings shares in a nominal amount of ITL 1,000 each.
- (3) Total share capital has been adjusted to reflect (i) increase in capital due to the merger of BCI, that took place on May 1, 2001, (ii) conversion into euro of the share capital and (iii) partial conversion of convertible bonds and exercise of warrants.
- (4) The other reserves include (i) share premium reserve, (ii) statutory reserves, (iii) revaluation reserves, (iv) reserve for general banking risk, (v) negative goodwill arising on consolidation and on application of the equity method, and (vi) other reserves, but do not include net income for the period.
- (5) Represents (i) increase in the Group's consolidated equity subsequent to merger of BCI in Banca Intesa on May 1, 2001 (ii) Conversion into euro of the share capital and (iii) partial conversion of convertible bonds and exercise of warrants.
- (6) Minority interests have been decreased subsequent to the merger of BCI in Banca Intesa on May 1, 2001.
- (7) Represents net changes in subordinated debt during the period starting from April 1, 2001.
- (8) Apart from the changes disclosed in the Offering Circular, there has been no material change in the capitalization of the Group since March 31, 2001.

In connection with the offering, the Trust will issue 500,000 Trust Preferred Securities having an aggregate liquidation preference equal to €500,000,000. Upon the consummation of the offering, the Bank will indirectly own 100 per cent. of the Trust Common Securities which will have an aggregate liquidation

preference of €1,000. Under the Trust Agreement, the Trust is prohibited from incurring any indebtedness for borrowed money.

In connection with the offering, the LLC will issue 500,001 LLC Preferred Securities having an aggregate liquidation preference equal to €500,001,000. Upon the consummation of the offering, the Bank will directly own 100 per cent. of the LLC Common Securities, which will have an aggregate liquidation preference of €1,000,000. Under the LLC Agreement, the LLC is prohibited from incurring any indebtedness for borrowed money.



## SUMMARY CONSOLIDATED FINANCIAL INFORMATION AND RELATED DISCUSSION

### Overview

The following discussion is based on the audited consolidated annual financial statements of the Group for the years ended December 31, 2000 and 1999, and on the unaudited consolidated interim financial statements for the Group for the three months ended March 31, 2001.

The audited consolidated annual financial statements of the Group for the year ended December 31, 1999 and the unaudited consolidated interim financial statements of the Group for the three months ended March 31, 2000 have been restated in order to make them comparable to the audited consolidated annual financial statements of the Group for the year ended December 31, 2000 and the unaudited consolidated interim financial statements of the Group for the three months ended March 31, 2001, respectively.

The audited and unaudited financial statements discussed above have been prepared in accordance with generally accepted accounting principles in Italy, which differs in certain respects from the generally accepted accounting principles in other countries.

While management has been generally satisfied with the domestic performance of the Group during 2001, the economic recession in Peru, which was already by the end of the year 2000 creating solvency problems for businesses, has become worse especially during the second quarter of 2001. As a consequence, the Superintendent of Banks and Insurance Companies has required Banco Wiese Sudameris to carry out a detailed review of its credit portfolio. On the basis of a review of two-thirds of the overall portfolio, which in the aggregate amounts to U.S.\$2.7 billion, it has become necessary to make additional provisions of about U.S.\$60 million. It will also be necessary to reformulate the business plan of the Peruvian group, especially in the light of the updating of the valuation of goodwill and of deferred taxes recorded in the balance sheet. These items, amounting respectively to U.S.\$46 million and U.S.\$153 million, could be partially written off in the current year. The overall cost to the Group is not expected to be significant in relation to the position of the IntesaBci Group as a whole.

With respect to the other major South American countries, the Brazilian economy is continuing to improve, while the economic situation in Argentina remains problematic. With regard to these developments, on June 12, 2001 the Board of Directors of the Bank approved in principle a €500 million increase in the capital of the Sudameris Group.

*Three Months Ended March 31, 2001, Compared with the Three Months Ended March 31, 2000*

**Balance Sheet Data**

*Assets*

|   | As at March 31,       |                | change        |            |
|---|-----------------------|----------------|---------------|------------|
|   | 2001                  | 2000           | absolute      | %          |
|   | (in billions of lire) |                |               |            |
| Due from banks .....  | 95,712                | 92,077         | 3,635         | 3.9        |
| Loans to customers .....  | 363,684               | 363,098        | 586           | 0.2        |
| Securities.....   | 127,421               | 114,411        | 13,010        | 11.4       |
| <i>Including investment portfolio .....</i>                                       | 25,518                | 25,181         | 337           | 1.3        |
| Equity investment .....   | 5,939                 | 5,973          | (34)          | (0.6)      |
| Goodwill arising on consolidation and on application<br>of the equity method..... | 1,328                 | 1,335          | (7)           | (0.5)      |
| Other assets.....   | 74,824                | 66,465         | 8,359         | 12.6       |
| <b>Total assets.....</b>  | <b>668,908</b>        | <b>643,359</b> | <b>25,549</b> | <b>4.0</b> |

*Liabilities*

|  | As at March 31,       |                | change        |            |
|--|-----------------------|----------------|---------------|------------|
|  | 2001                  | 2000           | absolute      | %          |
|  | (in billions of lire) |                |               |            |
| Due to banks .....   | 191,526               | 176,313        | 15,213        | 8.6        |
| Due to customers .....   | 221,898               | 227,213        | (5,315)       | (2.3)      |
| Securities issued .....  | 126,820               | 123,653        | 3,167         | 2.6        |
| Funds with specified destination .....   | 14,420                | 13,732         | 688           | 5.0        |
| Other liabilities .....  | 66,155                | 54,266         | 11,889        | 21.9       |
| Allowances for possible loan losses.....   | 447                   | 436            | 11            | 2.5        |
| Subordinated liabilities .....   | 18,733                | 18,860         | (127)         | (0.7)      |
| Minority shareholders.....   | 5,314                 | 5,176          | 138           | 2.7        |
| Share capital, reserves and Rgbr .....   | 22,594                | 20,845         | 1,749         | 8.4        |
| Negative differences arising on consolidation<br>and on application of the equity method ..... | 64                    | 36             | 28            | 77.8       |
| Net income .....   | 937                   | 2,829          | (1,892)       | (66.9)     |
| <b>Total liabilities.....</b>  | <b>668,908</b>        | <b>643,359</b> | <b>25,549</b> | <b>4.0</b> |

## Income Statement Data

|  | As at March 31,               |                     | change     |              |
|--|-------------------------------|---------------------|------------|--------------|
|  | 2001<br>(in billions of lire) | 2000 <sup>(1)</sup> | absolute   | %            |
| Net interest income.....   | 3,053                         | 2,842               | 211        | 7.4          |
| Income reported by companies valued according to the equity method and dividends .....           | 233                           | 37                  | 196        |              |
| Interest margin .....  | 3,286                         | 2,879               | 407        | 14.1         |
| Net commissions.....   | 1,909                         | 2,150               | (241)      | (11.2)       |
| Profits (Losses) on financial activities .....   | 211                           | 194                 | 17         | 8.8          |
| Other income, net .....  | 294                           | 265                 | 29         | 10.9         |
| Net interest and other banking income.....   | 5,700                         | 5,488               | 212        | 3.9          |
| Administrative costs   |                               |                     |            |              |
| Personnel expenses .....   | (2,030)                       | (2,080)             | (50)       | (2.4)        |
| Other administrative costs .....   | (1,276)                       | (1,203)             | 73         | 6.1          |
| Adjustments to tangible and intangible fixed assets .....  | (383)                         | (363)               | 20         | 5.5          |
| Operating margin .....   | 2,011                         | 1,842               | 169        | 9.2          |
| Net adjustments to loans and provisions for possible loan losses.....                            | (450)                         | (458)               | (8)        | (1.7)        |
| Provisions for risks and charges.....  | (128)                         | (136)               | (8)        | (5.9)        |
| Adjustments net to financial fixed assets .....  | 3                             | (1)                 | 4          |              |
| Income from operating activities .....   | 1,436                         | 1,247               | 189        | 15.2         |
| Extraordinary income (loss) .....  | 314                           | (267)               | 581        |              |
| Income before taxation .....   | 1,750                         | 980                 | 770        | 78.6         |
| Income taxes for the period .....  | (634)                         | (626)               | 8          | 1.3          |
| Change in the reserve for general banking risks and in the allowance for risks and charges ..... | 3                             | 12                  | (9)        | (75.0)       |
| Net income (loss) for the period attributable to minority shareholders .....                     | (182)                         | 92                  | (274)      |              |
| <b>Net income (loss) for the period .....</b>  | <b>937</b>                    | <b>458</b>          | <b>479</b> | <b>104.6</b> |

(1) Data restated, for consistency purposes, considering changes in the consolidation area.

The Group closed the first quarter of 2001 with a consolidated net income of ITL 937 billion (484 million euro), more than double (+104.6%) the result of ITL 458 billion registered in the corresponding period of 2000.

The statement of income as at March 31, 2001 recorded an interest margin which showed a 14.1% growth rate to ITL 3,286 billion due to both the rise in net interest income (+7.4%), attributable to the considerable increase recorded by loans to customers and the rise in the spread – and the higher contribution of dividends, which increased from ITL 37 billion to ITL 233 billion, in relation to the distribution of a dividend of ITL 178 billion by companies in which the Group held a minority interest.

The unfavorable trend recorded by financial markets led to an approximately 11% decrease in net commissions (from ITL 2,150 billion lire to ITL 1,909 billion), mostly deriving from the dealing in securities and the asset management areas, and partly offset by the growth of profits on financial transactions and other net operating income.

Net interest and other banking income added up to ITL 5,700 billion, compared to ITL 5,488 billion in the first quarter of 2000 (+ 3.9%).

Operating costs, including depreciation and amortisation, were practically stable (ITL 3,689 billion, compared to ITL 3,646 billion as at March 31, 2000). Operating costs include personnel expenses which recorded a 2.4% decrease following the progress of the process for the reduction of employed resources (a reduction of 718 units compared to the same figure as at December 31, 2000), while other administrative costs and depreciation increased respectively by 6.1% and 5.5% mostly as a result of the upgrading of IT systems which is currently under way in various Group companies.

Net of provisions and value adjustments which totalled ITL 575 billion (-3.4% compared to the first quarter of 2000), operating activities in the first three months of the year produced a result of ITL 1,436 billion, corresponding to a 15.2% growth rate compared to ITL 1,247 billion recorded in the same period the previous year.

As concerns net extraordinary income, which recorded a positive balance of ITL 314 billion to be compared with a negative balance of ITL 267 billion as at March 31, 2000, the quarter recorded a capital gain of approximately ITL 240 billion on the sale of 46 branches to Banca Popolare di Vicenza.

Consequently, income before taxation reached ITL 1,750 billion, with a 78.6% growth rate compared to ITL 980 billion in the first quarter of 2000. After recording a tax burden of approximately ITL 630 billion and income attributable to minority shareholders amounting to approximately ITL 180 billion net income of the period totalled ITL 937 billion.

As regards consolidated balance sheet data, loans to customers added up to approximately ITL 364,000 billion and confirmed the level achieved at the end of 2000. The non-performing loan/loans to customers ratio, net of value adjustments, equalled 3.4%, slightly lower than the ratio at the end of 2000. Customer deposits under administration amounted to almost ITL 980,000 billion (-1.9 % compared to as at December 31, 2000) and comprised direct customer deposits for over ITL 367,000 billion and indirect customer deposits for approximately ITL 612,000 billion. Managed funds totalled approximately ITL 278,000 billion, a decrease of 3.2%.

The trends the Bank showed in the first quarter of 2001 were essentially in line with the Italian banking industry's, but for the widening short-term spread compared to the industry's narrowing.

*Year Ended December 31, 2000, compared with the Year Ended December 31, 1999*

## **Balance Sheet Data**

### *Assets*

|  | <b>As at December 31,</b>    |                           |
|--|------------------------------|---------------------------|
|  | <b>2000</b>                  | <b>1999<sup>(*)</sup></b> |
|  | <b>(in billions of lire)</b> |                           |
| Cash and deposits with central banks and post offices .....                        | 3,426                        | 3,009                     |
| Treasury bills and similar bills eligible for refinancing with central banks ..... | 8,613                        | 21,579                    |
| Due from banks .....   | 92,077                       | 85,572                    |
| Loans to customers .....   | 363,098                      | 317,716                   |
| Bonds and other debt securities .....  | 100,783                      | 93,469                    |
| Shares, quotas and other forms of capital .....                                    | 5,015                        | 3,850                     |
| Equity investments.....  | 5,280                        | 5,753                     |
| Investments in Group Companies .....   | 693                          | 369                       |
| Positive goodwill arising on consolidation .....                                   | 1,236                        | 824                       |
| Positive goodwill arising on application of the equity method.....                 | 99                           | 8                         |
| Intangible fixed assets .....  | 1,522                        | 1,481                     |
| Tangible fixed assets .....  | 9,149                        | 9,647                     |
| Own shares or quotas.....  | 33                           | 0                         |
| Other assets .....   | 42,372                       | 45,653                    |
| Accrued income and prepaid expenses .....  | 9,963                        | 8,208                     |
| <b>Total assets .....</b>  | <b>643,359</b>               | <b>597,138</b>            |

(\*) Data have been restated to make them comparable.

## Liabilities

|   | <b>As at December 31,</b>    |                           |
|---|------------------------------|---------------------------|
|   | <b>2000</b>                  | <b>1999<sup>(*)</sup></b> |
|   | <b>(in billions of lire)</b> |                           |
| Due to banks .....  | 176,313                      | 160,645                   |
| Due to customers .....  | 227,014                      | 210,099                   |
| Securities issued.....  | 123,653                      | 117,500                   |
| Public funds administered .....                                     | 199                          | 215                       |
| Other liabilities .....   | 43,633                       | 44,144                    |
| Accrued expenses and deferred income .....                          | 10,635                       | 9,024                     |
| Allowance for termination indemnities .....                         | 3,000                        | 2,922                     |
| Allowance for risks and charges .....                               | 10,732                       | 8,906                     |
| Allowance for possible loan losses .....                            | 436                          | 683                       |
| Reserve for general banking risks .....                             | 215                          | 292                       |
| Subordinated liabilities .....                                      | 18,860                       | 16,604                    |
| Negative goodwill arising on consolidation .....                    | 30                           | 53                        |
| Negative goodwill arising on application of the equity method ..... | 6                            | 6                         |
| Minority interests .....  | 5,175                        | 6,086                     |
| Share capital.....  | 5,836                        | 5,406                     |
| Share premium reserve .....   | 11,704                       | 10,216                    |
| Reserves .....  | 2,504                        | 1,726                     |
| Revaluation reserves .....  | 585                          | 503                       |
| Net income for the year .....                                       | 2,829                        | 2,108                     |
| <b>Total liabilities and shareholders' equity .....</b>             | <b>643,359</b>               | <b>597,138</b>            |
| <b>Guarantees and commitments</b>                                   |                              |                           |
| Guarantees .....  | 76,973                       | 57,490                    |
| Commitments.....  | 160,795                      | 109,635                   |
| Credit Derivatives .....  | 75,077                       | 26,682                    |

(\*) Data have been restated to make them comparable.

## Income Statement Data

|   | As at December 31,    |                     |
|---|-----------------------|---------------------|
|   | 2000                  | 1999 <sup>(*)</sup> |
|   | (in billions of lire) |                     |
| Interest income and similar revenues .....  | 33,654                | 29,622              |
| Interest expense and similar charges .....  | (22,283)              | (18,842)            |
| Dividends and other revenues .....  | 2,255                 | 603                 |
| Commission income .....   | 9,597                 | 8,794               |
| Commission expense .....  | (1,297)               | (1,187)             |
| Profits on financial transactions .....   | 288                   | 316                 |
| Income for integrative social security benefits .....                                   | 198                   | 83                  |
| Other operating income .....  | 1,499                 | 1,580               |
| Administrative costs .....  | (13,374)              | (13,062)            |
| - of which: -payroll .....  | (8,186)               | (8,118)             |
| - of which: -other administrative costs .....   | (5,188)               | (4,944)             |
| Provisions for integrative social security benefits.....                                | (196)                 | (83)                |
| Adjustments to intangible and tangible fixed assets .....                               | (1,573)               | (1,800)             |
| Provisions for risks and charges .....  | (644)                 | (494)               |
| Other operating expenses.....   | (516)                 | (335)               |
| Adjustments to loans and provisions for guarantees and commitments .....                | (3,546)               | (3,954)             |
| Write-backs of adjustments to loans and provisions for guarantees and commitments ..... | 1,025                 | 991                 |
| Provisions for possible loan losses .....   | (102)                 | (154)               |
| Adjustments to financial fixed assets .....   | (82)                  | (153)               |
| Write-back of financial fixed assets .....  | 65                    | 43                  |
| Income from investments carried at equity .....   | 121                   | 6                   |
| <b>Income from operating activities</b> .....   | <b>5,089</b>          | <b>1,974</b>        |
| Extraordinary income, net .....   | 301                   | 1,503               |
| Withdrawal from the risks and future charges consolidated reserve.....                  | 21                    | 0                   |
| Change in the reserve for general banking risks .....                                   | 78                    | (227)               |
| Income taxes for the year .....   | (2,216)               | (754)               |
| Income attributable to minority shareholders .....                                      | (444)                 | (388)               |
| <b>Net income for the year</b> .....  | <b>2,829</b>          | <b>2,108</b>        |

(\*) Data have been restated to make them comparable.



## Economic and Financial Ratios

|   | As at December 31, |                     |
|---|--------------------|---------------------|
|   | 2000               | 1999 <sup>(*)</sup> |
|   | %                  |                     |
| <b>Balance Sheet ratios</b>   |                    |                     |
| Loans to customers/total assets .....                                   | 56.4               | 53.2                |
| Securities/total assets .....   | 17.8               | 19.9                |
| Direct customer deposits/total assets .....                             | 57.5               | 57.7                |
| Managed funds/indirect customer deposits .....                          | 45.7               | 50.1                |
| <b>Statement of Income ratios</b>                                       |                    |                     |
| Interest margin/operating margin.....                                   | 58.6               | 55.4                |
| Net commissions/net interest and other banking income .....             | 35.6               | 37.0                |
| Operating costs/net interest and other banking income .....             | 64.1               | 72.3                |
| Net income for the year/total assets (ROA) <sup>(1)</sup> .....         | 0.4                | 0.4                 |
| Net income for the year/shareholders' equity (ROE) <sup>(2)</sup> ..... | 13.5               | 13.1                |
| <b>Risk ratios</b>  |                    |                     |
| Net non-performing loans/total loans .....                              | 3.5                | 3.9                 |
| Total adjustments/gross non-performing loans .....                      | 52.2               | 50.9                |
| <b>Capital Ratios</b>   |                    |                     |
| Tier 1 capital/risk-weighted assets.....                                | 6.0                | 6.0                 |
| Total capital/risk-weighted assets .....                                | 9.0                | 9.2                 |
| Risk-weighted assets (billions of lire) .....                           | 442,163.8          | 392,520.9           |

(1) Average total assets were calculated as an arithmetic average of the aggregate at the end of the two periods.

(2) Net income, excluded the change in the reserve for general banking risks divided by the weighted average of shareholders' equity, share premium, revaluation reserves, retained income reserve, negative goodwill on consolidation and application of the equity method and reserve for general banking risks.

The Bank's consolidated net income as at December 31, 2000 rose to ITL 2,829 billion (€1,461 million), with a 34.2% growth rate compared to the figure as at December 31, 1999 (ITL 2,108 billion), calculated on a consistent basis. As a result, the Group's consolidated ROE increased to 13.5%.

The consolidated statement of income presented an interest margin amounting to ITL 13,660 billion, with an almost 20% growth rate compared to the previous year, which was mainly due to both the positive trend registered by loans to customers (loans granted by Italian banks recorded a 16.3% growth rate) and the interim dividend received by BCI following the sale of the equity investment indirectly held in Seat Pagine Gialle.

Net commissions, which reached ITL 8,300 billion and completely covered personnel expenses, increased by 9.1% thanks to the progressive rise in income from management and dealing services on behalf of customers and, in particular, in income from asset management (order placing fees increased 41%, "door-to-door" sales of securities and services increased 32%, individual portfolio management schemes increased 25.9%, dealing in securities increased 23.8%, custody and administration of securities increased 21.1%).

Net interest and other banking income reached almost ITL 23,320 billion with a 13.4% growth rate from the previous year.

Operating costs, equal to ITL 14,946 billion, remained virtually unchanged (+0.6%), in spite of the re-organization processes under way in the Italian network and in certain foreign subsidiaries. The cost/income ratio (operating costs/net interest and other banking income) decreased from 72.3% to 64.1% from the previous year.

The significant control of net adjustments to loans, notwithstanding the application of risk coverage criteria in the determination of provisions to cover performing loans, positively affected income from operating activities which reached ITL 5,089 billion, more than doubling the figure of ITL 1,974 billion recorded in 1999.

The reduction in extraordinary income (from 1,503 billion lire as at December 31, 1999 to ITL 301 billion in 2000) and the significant increase in the tax burden (from ITL 754 billion to ITL 2,216 billion) led to a net income from the year of ITL 2,829 billion, with a 34.2% rise compared to the consistent result registered the previous year.

With regard to balance sheet items, loans to customers amounted to ITL 363,098 billion and registered a 14.3% increase compared to 1999. Loan portfolio quality again improved: the incidence of non-performing loans decreased from 3.9% as at December 31, 1999 to 3.5% as at December 31, 2000.

Customer deposits under administration reached almost ITL 1,000,000 billion (ITL 998,414 billion), with an 8.6% growth rate, with improvements both in direct customer deposits (up 7.3% to ITL 369,726 billion) and indirect customer deposits (up 9.3% to ITL 628,688 billion) which was positively affected by the strong rise in assets under administration which increased by 18.8% to ITL 341,154 billion and the almost stable volume of managed funds which amounted to approximately ITL 288,000 billion.

Interest margin: the spread between average interest on loans to customers and average interest on deposits (which registered average rises in volumes of 16.3% and 2.5% respectively) was virtually stable (up 3 basis points) compared to 1999. Dividends received, which included the extraordinary dividend of almost ITL 1,400 billion lire paid on one of BCI's equity investments and stemming from the sale of part of the share capital held in the company Seat Pagine Gialle, exceeded ITL 1,954 billion.

Income from operating activities: The item amounted to ITL 5,089 billion after net adjustments/write-backs and prudential provisions of ITL 3,285 billion (a decrease of 11.7% compared to 1999). Income from operating activities would have registered a significant increase of 87% compared to 1999, even net of the effects related to the sale of part of the equity investment in Seat Pagine Gialle.

Extraordinary items: Following the introduction of the new accounting principle referred to deferred taxes the 1999 financial statements included, among extraordinary income, approximately ITL 980 billion of credits for prepaid taxes referring to previous years in addition to significant capital gains (over ITL 1,000 billion) for the sale of certain equity investments which were no longer deemed to be strategic. In 1999 approximately ITL 515 billion of provisions for expected integration expenses were accounted for among extraordinary charges. In the year 2000, extraordinary income was far lower and was offset by ITL 400 billion of extraordinary non-tax deductible charges (comprising provisions to cover credit risk accounted for by the Sudameris Group as required by regulations issued by the Brazilian supervisory authorities). The considerable contraction in extraordinary income by over ITL 1,200 billion led to the modest increase in net income for the year, compared to the growth rate in excess of 150% registered by income from operating activities.

Net income for the year: the comparison with the previous year should take into account that in 1999 the result benefited from ITL 1,503 billion of net extraordinary income, mostly made up of capital gains following the sale of equity investments and from the significant decrease in the tax burden attributable to the adoption of the new accounting principle related to prepaid taxes. In the year 2000, the average tax rate rose to 41.0%.

ROE: The Group's consolidated ROE, equal to 13.5%, was calculated on the year's average shareholders' equity and included the ITL 1,313 billion capital increase finalized in May 2000 and the increases in share capital following the exercise of warrants and the conversion of convertible bonds for an aggregate amount of ITL 365 billion.

## BUSINESS DESCRIPTION OF THE INTESABCI GROUP

### General

The IntesaBci Group (the “Group”) is a full service Italian banking group that provides a wide range of retail and commercial banking and other financial services to customers in Italy and abroad and was formed through a series of acquisitions which began in 1998. The Group is a leader in the Italian banking industry, with principal services focused on deposit taking, lending, collection and payment services, investment banking, capital market services, securities custody and settlement, foreign currency transactions, leasing, factoring, asset and mutual fund management and life insurance. A detailed description of the Group’s history, structure and activities is set out below.

IntesaBci S.p.A. is the parent company of the IntesaBci Group. On January 2, 1998 Banca Intesa S.p.A. (“Banca Intesa”) acquired the entire issued share capital of Cassa di Risparmio delle Provincie Lombarde S.p.A. (“Cariplo”). As part of the process of integrating Cariplo into the IntesaBci Group, Banca Intesa transferred a significant part of its retail banking operations to a wholly owned subsidiary, Banco Ambrosiano Veneto S.p.A. (“BAV”). After this, Banca Intesa held the entire issued share capital of both BAV and Cariplo and also continued to carry a number of banking and non-banking operations that were not transferred to BAV. Also during 1998, Banca Popolare Friuladria and Cassa di Risparmio di Parma e Piacenza joined the IntesaBci Group.

In December 1999, Banca Intesa finalized the exchange offer pursuant to which it acquired 70% of the outstanding ordinary shares and savings shares of Banca Commerciale Italiana S.p.A. (“BCI”) in return for the issue of new ordinary shares of Banca Intesa and put warrants to BCI shareholders. In this exchange, Banca Intesa issued 2,072,947,067 new ordinary shares to BCI shareholders in exchange for 70% of each class of BCI shares tendered, by accepting BCI shareholders in the exchange offer. In addition, Banca Intesa granted 330,170,484 put warrants pro rata to those BCI shareholders who tendered shares in excess of the 70% for which the exchange offer was made the (“Banca Intesa – BCI Put Warrants” or the “Warrants”). Such Warrants granted a put right exercisable by the holders which, if exercised, will require Banca Intesa to purchase the underlying BCI shares during the period from November 1, to November 15, 2002 at a price of 7.80 euro per share.

On April 11, 2000 the Board of Directors of Banca Intesa approved a new organizational model for the IntesaBci Group which was subsequently revised on October 10, 2000. The new business plan (the “Business Plan”) envisaged: a) the merger of BAV, Cariplo and Mediocredito Lombardo S.p.A. (“Mediocredito Lombardo”) into Banca Intesa, which took place on December 31, 2000 and b) the incorporation of BCI into Banca Intesa forming IntesaBci S.p.A. (the “Bank”).

On October 10, 2000 the Board of Directors of both Banca Intesa and BCI approved the incorporation of BCI into Banca Intesa, by means of the exchange of 1.45 Banca Intesa’s new ordinary shares of ITL 1,000 each for each of BCI’s ordinary or savings shares held, on the basis of the consolidated financial statements as at June 30, 2000. In connection with the exchange, on December 19, 2000 the Board of Directors of Banca Intesa approved a capital increase of ITL 792,320,323,000 by the issue of 792,320,323 new ordinary shares to be offered to BCI shareholders.

Following the decision to merge BCI into Banca Intesa, the terms and conditions of the Banca Intesa – BCI Put Warrants had to be amended so that each Warrant will be exercised by means of the sale by each of the holders of 1.45 IntesaBci shares instead of one BCI share, at a price of 7.80 euro, such that the strike price of each IntesaBci’s ordinary share will be 5.38 euro. Since the Merger Date (as defined below) the Banca Intesa – BCI Put Warrants have become IntesaBci Put Warrants (the “IntesaBci Put Warrants”).

The merger by incorporation of BCI into Banca Intesa was completed on May 1, 2001 (the “Merger Date”) by means of the offer of 1.45 newly-issued ordinary shares in IntesaBci in exchange for each of BCI’s

ordinary and savings shares. The BCI shares held by Banca Intesa were cancelled and former BCI shareholders received IntesaBci shares. Consequently, on May 1, 2001 IntesaBci's fully paid up capital was increased by ITL 792,320,323,000 by the issue of 792,320,323 new ordinary shares offered to former BCI shareholders.

The main strategic objectives of the new IntesaBci Group are to consolidate its leading position in the Italian market and intensify its efforts to become one of the leading European banks. In management's opinion the ways to achieve these objectives are (i) optimising capital allocation, (ii) creation of value through the divisional model, (iii) developing business opportunities offered by a multi-channel approach, improving quality and width of product range, and (iv) consolidating and/or selectively developing an international presence.

The IntesaBci Group's Business Plan comprises (i) the creation of three domestic commercial banking divisions – retail, private banking and mid-corporate – through the progressive integration of Cariplo, BAV and BCI branch networks (the “Domestic Banking Divisions”), (ii) the formation of a wholesale banking division, including investment banking, treasury, corporate banking and private equity (the “Wholesale Banking Division”) and (iii) the setting up of an international division (the “International Division”).

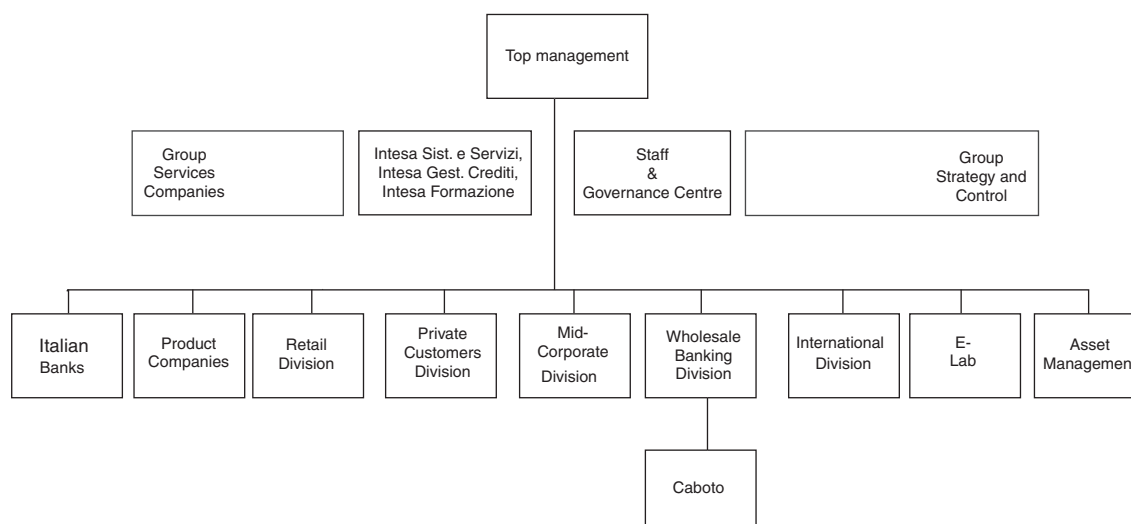
The three Domestic Banking Divisions have been organized by customer segment and, within each division, by territorial regions and areas. The three Domestic Banking Divisions cover:

- the “retail” segment, including individual clients and small enterprises,
- the “private” segment which serves high net worth individuals, and
- the “mid-corporate” segment targeted at medium-sized enterprises.

The Wholesale Banking Division includes Corporate Finance, Securities Trading, Private Equity and Large Corporate Clients, which offers financial services to large corporate and institutional clients, and carries on investment banking activities, focusing on client relations. The International Division will consolidate the IntesaBci Group's current international position by increasing efficiency and profitability in certain areas and, within a set period of time, by disposing of those activities which do not create value for the IntesaBci Group. Growth opportunities will be monitored individually, especially in Central and Eastern European countries and in the Mediterranean area.

Product companies (such as Mediofactoring, Intesa Leasing, Comit Factoring, Assiba, etc.) and support service companies (such as Setefi, Intesa Gestione Crediti S.p.A., Comit Service Srl, Intesa Formazione, etc.) will maintain their present structure and be progressively integrated. The Bank will continue to carry out the corporate governance of the InteseBci Group and, in particular, strategic direction, management of the equity investments in the Product Companies, coordination and control functions. It will delegate operational activities connected to the single business areas to the three Domestic Banking Divisions and to the Wholesale Banking Division.

The table below shows the IntesaBci Group organizational model:



The Group's presence in Italy is mainly through its direct branch network deriving from the merged banks (i.e. BCI, Cariplo, BAV and Mediocredito Lombardo that have maintained their brand names) and banking subsidiaries such as Banca di Trento e Bolzano S.p.A. ("BTB"), Cassa di Risparmio di Parma e Piacenza S.p.A. ("Cariparma"), Banca Popolare Friuladria ("Friuladria"), Banco di Chiavari e della Riviera Ligure ("Banco di Chiavari") and Cassa di Risparmio di Biella e Vercelli ("Biverbanca").

The Bank's international network is explained in more detail below in "—International Activities."

The Group is a leader in the Italian banking industry. The Group has the largest retail network in Italy with approximately 3,200 branches (after the disposal of some subsidiaries and branches as mentioned below in "Recent Developments") and is the largest banking group in Italy based on customer loans and deposits. Capitalizing on market leadership in Lombardy and retail presence in the industrial regions of northern Italy, the Group has, in management's opinion, a leadership position in the most profitable geographic regions in Italy with the highest growth potential. In addition, as a result of the acquisition of BCI, the Group has substantially increased its coverage throughout Italy.

The Group's principal services are focused on deposit taking, lending, collection and payment services, investment banking, capital markets services, securities custody and settlement, foreign currency transactions, leasing, factoring, asset and mutual fund management and life insurance. The Group is also a market leader in Italy in asset management, factoring and equity brokerage and enjoys a strong market position in securities trading, leasing and bancassurance. In addition, the Group has a developed international network to facilitate the cross-border banking requirements of its corporate customer base, as well as having significant retail banking interests outside of Italy.

As at December 31, 2001, the IntesaBci Group had, in aggregate, deposits from customers, securities in issue (including subordinated liabilities) and public funds administered of ITL 369,726 billion, an increase of 7.3% on 1999, and total assets of ITL 643,358.8 billion, an increase of 7.7% on 1999. Consolidated net income for the year ended December 31, 2000, was ITL 2,829.4 billion, an increase of 34.2% on 1999. As at December 31, 2000, the Group's network included 3,637 branches in Italy. The branch network is complemented by over 2,000 personal financial consultants of Intesa Italia Sim and Genercomit Distribuzione. At the same date, the IntesaBci Group had 894 operational offices in over 40 countries all over the world, in addition to 35 representative offices.

## **The Group's retail and commercial banking activities**

The Group's retail and commercial banking activities are now conducted in Italy by the Bank, through its direct branch network and through Cariparma, FriulAdria, BTB, Banco di Chiavari, Biverbanca and a number of small Casse di Risparmio (savings banks). Internationally, the Group is present in South America through the Sudameris Group, and in Central and Eastern Europe through Central-European International Bank, Budapest and Privredna Banka Zagreb, Zagabria. Together, these companies provide a wide range of banking and related financial services to their clients including current and savings accounts, consumer loans, overdraft facilities, mortgage loans, credit cards, utility bill payment and other automated banking services. The telephone banking service has been active since 1995 and home banking services since 1997. Telephone banking allows retail customers to carry out most types of banking and financial transactions, as well as to receive investment advice, over the telephone. The Group provides the full range of services to corporate clients including the acceptance of deposits, granting overdraft facilities, bills and receivables discounting, export/import financing, medium and long-term loans and various foreign exchange and other cash management services.

Set out below is a description of the principal banking subsidiaries of the Group.

### **Cariparma**

As at December 31, 1999, Banca Intesa held a 76.58% controlling interest in Cariparma resulting from the acquisition of various Cariparma shareholdings. On April 11, 2000 Banca Intesa's Board of Directors authorized the acquisition of the remaining 23.42% holding in Cariparma held by minority shareholders. The acquisition took place on July 1, 2000 and involved the transfer of Cariparma's banking assets to a newly incorporated entity, the shares of which were acquired by Banca Intesa. The completion of the process has resulted in Banca Intesa owning a 100% stake in the newly-established Cassa di Risparmio di Parma e Piacenza S.p.A., allowing Cariparma's minority shareholders to become shareholders of Banca Intesa itself, according to the agreement reached at the time of Cariparma's joining the IntesaBci Group.

The integration of Cariparma has increased the IntesaBci Group's geographical presence in various regions of northern Italy, particularly in Lombardy and Emilia Romagna and has given the IntesaBci Group exposure to Cariparma's customer base which has traditionally consisted of mid-sized corporate and private customers. The integration of Cariparma is also expected to promote operating efficiencies by the generation of cost savings in certain management and back-office functions.

As at December 31, 2000 Cariparma had outstanding loans to customers of approximately ITL 15,374 billion, customer deposits, securities in issue (including subordinated liabilities) and public funds administered of ITL 18,392.4 billion, net income of ITL 221.7 billion and a network of 316 branches.

### **Banca Popolare FriulAdria**

FriulAdria was acquired by Banca Intesa in December 1998 through the merger of Banca Intesa with Banca FriulAdria Holding ("FriulAdria Holding"). Former FriulAdria Holding shareholders received convertible shares in exchange for their previous shareholders. The conversion allowed the shareholders to convert their Banca Intesa shares into FriulAdria shares. The conversion took place in February 1999, thus reducing Banca Intesa's stake to 66.47% as at December 31, 1999.

FriulAdria's retail network is principally located in the Friuli-Venezia Giulia region and was further increased in April 2000 by 60 branches following the transfer to FriulAdria of BAV's entire branch network in the Friuli-Venezia region. FriulAdria had a retail network of 154 branches as at December 31, 2000. Loans to customers at FriulAdria amounted to ITL 4,485.4 billion as at December 31, 2000, a 58.8% increase compared to December 31, 1999 and as at December 31, 2000 customer deposits, securities in issue (including



subordinated liabilities) and public funds administered were ITL 4,850.7 billion. FriulAdria's net income for the year ended December 31, 2000 was ITL 52.1 billion.

### **Banca di Trento e Bolzano**

BTB operates in the north east of Italy and as at December 31, 2000 had a network of 69 branches, principally in the provinces of Trento and Bolzano.

Loans to customers as at December 31, 2000 totalled ITL 2,253.2 billion and customer deposits were ITL 2,790 billion. BTB's net income for the year ended December 31, 2000 was ITL 18.2 billion, a 30% increase compared to the year ended December 31, 1999.

### **Banco di Chiavari**

Banco di Chiavari is a commercial bank operating mainly in the Liguria region which was acquired by BCI in the 1960s. BCI owned a 69.92% stake in Banco di Chiavari as at December 31, 2000.

Loans to customers as at December 31, 2000 totalled ITL 2,500 billion and customer deposits were ITL 2,768 billion. Banco di Chiavari's net income for the year ended December 31, 2000 was ITL 34 billion, a 14% increase compared to the year ended December 31, 1999.

### **Biverbanca**

BCI became the controlling shareholder of Biverbanca at the end of 1988 and as at December 31, 2000 its stake amounted to 55% of share capital.

Loans to customers as at December 31, 2000 totalled ITL 3,050 billion and customer deposits were ITL 3,620 billion. Biverbanca's net income for the year ended December 31, 2000 was ITL 25 billion, a 58% increase compared to the year ended December 31, 1999.

### **Banking Services**

Although the IntesaBci Group's core business remains financial intermediation, the Group has focused in the last few years on increasing the volume of its fee-generating activities in light of the relatively low interest rates and the narrowing interest rate spreads prevailing in the Italian banking market. With the decline in interest rates, Italian depositors began to seek higher yields for their invested funds than those provided by traditional bank deposit products. The Group monitors closely the trends of its customers' shifting from traditional banking services to investment management services and capitalizes on its experience in securities trading and investment management to serve the increasing number of potential customers who are turning to securities and other capital market investments (including mutual funds) for higher returns. The Group has been able to meet this demand by developing a range of managed savings and investment products which are offered to retail customers.

### **Corporate Services**

The Group provides a full range of corporate banking services, investment banking and other financial services to Italian companies, foreign corporations operating in Italy and Italian public sector entities. The corporate banking services provided include the acceptance of deposits, granting overdraft facilities, bills and receivables discounting, export/import financing, making advances on contracts and invoices, medium- and long-term loans, leasing, factoring, foreign exchange spot and forward transactions and money market instruments, cash management and payroll and other electronic payment systems. Other services include corporate finance, financial advisory in connection with mergers and acquisitions, corporate valuations and

restructurings, management and leveraged buy-outs, private equity activities with investments in industrial and commercial corporations, credit derivatives, derivatives trading and loan syndication.

All the services above fall under the responsibility and co-ordination of the Wholesale Banking Division.

The Group's investment banking activities currently include capital and money market services and securities trading conducted primarily through Caboto Holding Sim S.p.A. ("Caboto Holding"), Caboto Sim S.p.A. ("Caboto Sim"), Caboto Securities Limited ("Caboto Securities") and Caboto USA Inc.

Caboto Holding and Caboto Sim are each an approved stockbroking firm (Società di Intermediazione Mobiliare or Sim). Each is an active participant in the underwriting and placement of new bond issues for the Italian state, Italian companies, in the domestic market and the euro markets – as well as arranging new bond issues for foreign entities. Caboto Holding is a leading participant in the "wholesale" secondary market for Italian state bonds, acting also as a financial intermediary in the commercial paper, foreign bond, swap, derivatives and equities markets as well as providing research and advice on such markets. Caboto Holding is the Group's intermediary in Government securities, interest rate and derivative products. It has been operating on the Italian market for over 50 years. It actively participates in the primary market as an originator, lead and co-lead manager and underwriter of new bond issues for bank, corporate, sovereign and supranational clients. Caboto Sim serves institutional and private investors in the equity market. In June 1999, it commenced activities on the official market for covered warrants on Italian and foreign stocks and indexes of the principal stock exchanges worldwide. Caboto Securities is the futures and options brokerage arm of the Caboto Group. Caboto USA Inc. provides European equities and bond brokerage services for its institutional investor client base in the United States.

### **International Activities**

The Group conducts its international activities mainly through the former BCI's international network with a variety of units, including direct foreign branches, representative offices, majority owned subsidiaries and affiliated or associated companies. As at December 31, 2000, BCI operated 14 foreign branches or agencies located in China, Germany, Grand Cayman, Japan, Singapore, Spain, the United Arab Emirates, the United Kingdom and the United States and had 19 representative offices located in Argentina, Australia, Belgium, China, the Czech Republic, Egypt, Greece, India, Iran, Lebanon, Mexico, The Netherlands, Poland, Portugal, Russia, South Korea, Taiwan, Turkey and Venezuela.

IntesaBci also operates abroad through its wholly owned subsidiaries, the most important of which is Banque Sudameris, which, as at December 31, 2000, operated a network of 16 branches in seven countries (France, Chile, Grand Cayman, Panama, Monaco, Uruguay and the United States) and representative offices. Banque Sudameris owns a controlling interest in commercial banks located in Argentina, Brazil, Colombia, Paraguay and Peru, through which, as at December 31, 2000, it had a combined network of 643 branches and agencies.

In addition, IntesaBci owns Central-European International Bank, which operates 42 branches in Hungary, specializing in providing financial services to corporate customers. Other subsidiaries are located in Switzerland, France, Canada, Luxembourg and Ireland.

During the year 2000 BCI acquired a controlling interest in Privredna Bank Zagreb, which has 149 branches and provides retail and commercial banking services through Croatia. BCI also acquired a controlling interest in Banco Caja de Ahorro in Argentina which was subsequently merged with Banco Sudameris Argentina, S.A.

As at December 31, 2000 Banca Intesa had five direct foreign branches in Hong Kong, London, New York, Grand Cayman and Singapore. These will be progressively integrated with BCI's direct foreign branches.



## **Asset management**

Asset and investment management services at the IntesaBci Group are provided by Intesa Asset Management SGR, Caboto International, Intesa Fiduciaria Sim, Italfid Italiana Fiduciaria S.p.A. ("Italfid"), Comit Asset Management SGR and Comit Gestioni SGR.

Intesa Asset Management SGR had assets under management of up to ITL 152,935 billion at year-end 2000, with a 13% market share in Italy. Including figures recorded by BCI and related companies, total funds managed by the IntesaBci Group were ITL 287,534 billion, compared to ITL 287,919 billion in 1999.

The BCI Italian companies which operate in mutual fund management are Comit Asset Management SGR, Comit Gestioni SGR which manages Individual Portfolio Management Schemes invested in Mutual Funds (Gestioni Patrimoniali in Fondi – GPF), and several foreign subsidiaries. As at December 31, 2000, total assets managed by BCI in Italy and abroad amounted to over approximately ITL 95,000 billion.

The companies above will be progressively integrated as part of the reorganization of the IntesaBci Group.

## **Development of Internet banking activities**

In April 2000 the Board of Directors of Banca Intesa resolved to establish Intesa E-Lab, a special purpose company dedicated to the development, implementation and specialized management of the Group's internet projects. Intesa E-Lab is responsible for selecting and developing business ideas related to the Web, both domestically and internationally, promoting and managing partnerships and tailor-made financial initiatives on the new channels. It also follows a venture capital approach and operates as a support centre for the Group, managing technologies and marketing in this sector. Two projects were launched and implemented in the year 2000; Intesatrade and Fundsworld.

Intesatrade started operating in June 2000 as a second generation trading on line system which enables all its customers to invest and trade in shares and securities listed on the Italian stock exchange and on the major international exchanges and to have access to research and analysis services. Intesatrade system is operated by Caboto Sim.

Fundsworld is the IntesaBci Group's platform for the on-line sale of both domestic and international funds and SICAVs to European customers. Fundsworld was developed in November 2000 as a joint venture with a US professional fund manager.

## **Other specialized business units**

The Group's specialized business units include the following companies which operate in diverse segments of the financial services market:

- Intesa Leasing S.p.A., which provides leasing services to individual and corporate clients;
- Mediofactoring S.p.A. and Comit Factoring S.p.A., which provide factoring services;
- Agos Itafinco S.p.A., which operates in the consumer credit market;
- Intesa Italia Sim S.p.A. and Genercomit Distribuzione S.p.A., which operate door-to-door sales networks for the distribution of IntesaBci Group financial products by consultants;
- Setefi S.p.A., which operates in the credit card and payment system market; and
- Carivita S.p.A. and AssiBa S.p.A., life bancassurance companies.

## **Leasing and Factoring**

The Group's leasing activities are carried on mainly by Intesa Leasing S.p.A. ("Intesa Leasing"). Intesa Leasing is one of the leading companies in Italy in this sector, both in terms of intermediated volumes and market share. The total value of leased assets amounted to ITL 6,426 billion, as at December 31, 2000, an increase of 22.8% compared to December 31, 1999.

The Group's factoring activities are carried on by Mediofactoring S.p.A. ("Mediofactoring") and Comit Factoring. As at December 31, 2000 Mediofactoring had a turnover of ITL 41,192 billion, an increase of 22.7% compared to 1999. Mediofactoring had ITL 11,047 billion of advances to customers as at December 31, 2000, an increase of 10.4% compared to December 31, 1999. Mediofactoring confirmed its leadership position in Italy with the highest expansion in volumes which reflected both the liberalization of services in the whole of the EU and the implementation of strategic co-operation schemes with important foreign partners.

Comit Factoring had an overall turnover of ITL 13,100 billion as at December 31, 2000, an increase of 130% compared to 1999.

The integration of Comit Factoring with Mediofactoring is expected to be finalised before the end of 2001.

## **Intesa Sistemi e Servizi**

Operational and service activities for the Group have been centralized within a subsidiary of the Bank, Intesa Sistemi e Servizi S.p.A. ("Intesa Sistemi e Servizi"). Intesa Sistemi e Servizi provides centralized back-office functions, information technology and communications, purchasing, accounting and logistics services to the Group. Intesa Sistemi e Servizi aims to provide these services at a lower operating cost and to co-ordinate consistent reporting methodologies and systems and technology used throughout the Group.

## **Intesa Gestione Crediti**

Intesa Gestione Crediti ("IGC") is a bank wholly-owned by the Bank, whose activity is the management of non-performing loans, including mortgage backed loans, of the Group, pursuant to a servicing agreement. IGC is permitted to manage and purchase non-performing loans and guarantees and commitments. However, IGC may not engage in deposit taking activities other than from other Group companies and, generally, may not carry on any activity other than non-performing loan recovery activity.

## RECENT DEVELOPMENTS

### Selected Transactions

On November 21, 2000 the Board of Directors of Banca Intesa resolved the sale of 75% of Banca Carime to Banca Popolare Commercio e Industria for a consideration of ITL 2,306 billion. The transaction was finalized on June 29, 2001. Banca Popolare Commercio e Industria has a 3 year put/call on the remaining 24.92% of share capital held by the Bank.

In accordance with the plan for the rationalization of equity investments and branch networks, aimed at optimising the IntesaBci Group's territorial presence, on December 19, 2000 the Board of Directors of Banca Intesa resolved to sell the entire equity investment held in Banca di Legnano to Banca Popolare di Milano for a consideration of ITL 1,300 billion. The disposal of the equity investment came into effect as of January 1, 2001 and was finalized on June 25, 2001. This sale is part of the process aimed at streamlining IntesaBci's distribution network and making a structural improvement in the cost/income ratio.

Effective the same date, Banca Intesa sold 46 branches to Banca Popolare Vicentina. The disposal was executed during the first quarter of 2001.

On January 16, 2001 the Board of Directors of Banca Intesa resolved to accept the offer from Unipol Banca to buy 51 branches of the IntesaBci Group.

On April 24, 2001 the Board of Directors of Banca Intesa resolved to accept the offer from Banca Carige to buy 41 branches of the IntesaBci Group, and on June 5, 2001 IntesaBci resolved to accept the offer from Banca Carige to buy a further 19 branches of the IntesaBci Group.

On May 21, 2001 the Bank signed the spin-off agreement finalized to transfer to a new company called IntesaBci Mediocredito S.p.A. ("IntesaBci Mediocredito") certain assets and liabilities of the former Mediocredito Lombardo which was merged into Banca Intesa effective December 31, 2000. The de-merger was authorized by Banca Intesa's Board of Directors on December 20, 2000 and March 22, 2001 within the reorganization plan of the IntesaBci Group. IntesaBci Mediocredito was incorporated on December 28, 2000 under the name of Banca Intesa Mediocredito S.p.A. as a bank specialized in medium-long term lending to small- and medium-sized companies in cooperation with the domestic Banking Divisions of IntesaBci. IntesaBci Mediocredito will have total assets of ITL 24,048 billion, total equity of ITL 1,586 billion and loans to customers of ITL 22,235 billion, based on the appraisal report by Arthur Andersen S.p.A. as at April 30, 2001. IntesaBci Mediocredito started its activity on July 1, 2001 and the appraisal was adjusted as at such date. IntesaBci Mediocredito is a 100% owned subsidiary of IntesaBci.

On June 14, 2001 the Bank launched a €366 million securitization of non-performing mortgage loans through the vehicle Intesa Sec. NPL S.p.A. The net book value of the mortgage loans sold is approximately ITL 1,380 billion and the consideration received approximately ITL 1,000 billion.

On June 27, 2001 IntesaBci announced the acquisition of a 94.47% stake in Vseobcna Uverova Banka ("VUB"), the second largest bank in the Slovak Republic in terms of total assets. The total value of the offer is €550 million, corresponding to 1.45 times the expected book value of shareholders' equity as at June 30, 2001 (1.76 times shareholders' equity as at December 31, 2000). The acquisition, which has been approved by the Slovakian Government, is expected to be completed by the end of 2001.

### The IntesaBci Put Warrants

As mentioned under "Business Description of the IntesaBci Group – General" above, following the merger by incorporation of BCI into IntesaBci, the IntesaBci Put Warrants give the holders the right to sell to IntesaBci, IntesaBci ordinary shares at a price of €5.3800 per share, during the period from November 1 to

November 15, 2002. The IntesaBci Put Warrants are listed equity instruments and their market price represents the difference between the strike price and market expectations with respect to the price of IntesaBci's ordinary shares during the exercise period in November 2002. The value of the IntesaBci Put Warrants on a mark to market basis will be represented in IntesaBci's accounts and included in the interim and annual financial statements from the interim financial statements in respect of the six months ended June 30, 2001, the first statements produced after the merger of Banca Intesa and BCI. On July 10, 2001 the closing price of IntesaBci ordinary shares was €4.065 per share.

In relation to IntesaBci's obligations in respect of the IntesaBci Put Warrants, on March 1, 2001 Banca Intesa's shareholders meeting authorized IntesaBci to buy up to a maximum of 478,747,202 of IntesaBci ordinary shares in respect of the IntesaBci Put Warrants. At the strike price of €5.38 per share, the total buy-back amount is €2,576 million (ITL 4,987 billion equivalent). The shareholders meeting also resolved that those bought-back shares may only be disposed of at a price not below their purchase price, by selling them on the market. The meeting authorised the setting up of a special reserve dedicated to the share buy-back, under Art. 2357 ter of the Italian Civil Code for a maximum amount of €2,576 million (ITL 4,987 billion equivalent), by means of a withdrawal from the share premium reserve.

## SELECTED STATISTICAL DATA AND OTHER INFORMATION

The following tables provide a breakdown of the lending activities and show the composition of the deposits of the IntesaBci Group as at December 31, 2000 compared to the same data as at December 31, 1999.

The following financial information has been extracted from the audited consolidated annual financial statements of the IntesaBci Group as at and for the year ended December 31, 2000, which are in each case incorporated by reference herein and should be read in conjunction herewith. The audited consolidated financial statements of the IntesaBci Group as at and for the year ended December 31, 1999 have been restated in order to make them comparable to the audited consolidated financial annual statements as at December 31, 2000.

### Lending Activity

#### Analysis of loans to customers, by type of facility

|                                | As at December 31<br>2000 | 1999           |
|--------------------------------|---------------------------|----------------|
|                                | (in billions of lire)     |                |
| Overdrafts .....               | 63,923                    | 57,671         |
| Mortgages .....                | 104,427                   | 92,714         |
| Advances and other loans ..... | 173,570                   | 149,959        |
| Non-performing loans .....     | 12,572                    | 12,449         |
| Repurchase agreements .....    | 8,606                     | 4,923          |
| <b>Total</b> .....             | <b>363,098</b>            | <b>317,716</b> |

#### Analysis of credit quality

|  | As at December 31<br>2000 | 1999           |
|--|---------------------------|----------------|
|  | (in billions of lire)     |                |
| Non-performing loans .....                     | 12,572                    | 12,449         |
| Problem loans subject to expected losses ..... | 5,634                     | 4,435          |
| Loans under restructuring .....                | 67                        | 143            |
| Restructured loans .....                       | 918                       | 1,048          |
| Loans subject to country risk.....             | 2,620                     | 2,675          |
| Other loans.....                               | 341,287                   | 296,966        |
| <b>Total</b> .....                             | <b>363,098</b>            | <b>317,716</b> |

## Country risk

| Country               | December 31     |                    |               | December 31     |                    |               |
|-----------------------|-----------------|--------------------|---------------|-----------------|--------------------|---------------|
|                       | Gross<br>Amount | 2000<br>Adjustment | Net<br>Amount | Gross<br>Amount | 1999<br>Adjustment | Net<br>Amount |
| (in billions of lire) |                 |                    |               |                 |                    |               |
| Brazil .....          | 2,304           | (238)              | 2,066         | 2,037           | (188)              | 1,849         |
| Argentina .....       | 928             | (54)               | 874           | 1,011           | (64)               | 947           |
| Peru .....            | 457             | (18)               | 439           | 378             | (14)               | 364           |
| Russia .....          | 334             | (172)              | 162           | 637             | (381)              | 256           |
| Colombia .....        | 223             | (13)               | 210           | 269             | (19)               | 250           |
| Other Countries ..... | 1,537           | (159)              | 1,377         | 1,392           | (205)              | 1,184         |
| <b>Total</b> .....    | <b>5,783</b>    | <b>(654)</b>       | <b>5,129</b>  | <b>5,724</b>    | <b>(871)</b>       | <b>4,853</b>  |

### Including:

#### Cash Exposure

|                          |       |       |  |       |       |
|--------------------------|-------|-------|--|-------|-------|
| Loans to customers ..... | 2,863 | (244) |  | 2,930 | (255) |
| Due from banks .....     | 1,054 | (113) |  | 1,491 | (462) |
| Securities .....         | 718   | (176) |  | 701   | (124) |

#### Non-Cash Exposure.....

|                          |       |       |  |     |      |
|--------------------------|-------|-------|--|-----|------|
| Loans to customers ..... | 73    | (10)  |  | 122 | (14) |
| Due from banks .....     | 1,075 | (112) |  | 480 | (16) |

**As at December 31**  
**2000                  1999**

(in billions of lire)

#### Due from banks

|                           |               |               |
|---------------------------|---------------|---------------|
| Repayable on demand ..... | 8,363         | 9,107         |
| Other loans.....          | 83,714        | 76,465        |
| <b>Total</b> .....        | <b>92,077</b> | <b>85,572</b> |

#### Securities

|                            |                |                |
|----------------------------|----------------|----------------|
| Investment Portfolio ..... | 25,181         | 28,163         |
| Trading Portfolio .....    | 89,230         | 90,735         |
| <b>Total</b> .....         | <b>114,411</b> | <b>118,898</b> |

With regard to the Group's lending activities, as at December 31, 2000 the rise in loans to customers was higher than that recorded by the system, with reference to both short-term loans (an average increase of 17%) and medium/long-term loans (an increase of 13.1%). Consequently the Group's market share improved at 18.8% in the short-term loans market and at 16.3% in the medium/long-term lending.

Loans to customers increased by 14.3% compared to the corresponding figures as at December 31, 1999. Excluding repurchase agreements, which are mainly closed with financial counterparties, the increase was uniformly spread over the main types of facilities.

As at December 31, 2000 non-performing loans equalled ITL 12,572 billion, with an increase of 1% compared to the figure of the previous year, almost totally due to the charges in the Brazilian problem loans regulations issued by the local supervisory authorities.

The problem loans amounted to ITL 5,634 billion (an increase of 27%) compared to the previous year. This increase is mainly attributable to the effects of the new valuation criteria of credit risk for the Sudameris Group and to a new monitoring process of credit risk adopted by the Cariplo network through sophisticated technologies and strict operating criteria, which at the implementation stage determined an increase of the problem loans.

Percentage coverage of non-performing loans (adjustments to face value ratio) was on average 52.2% as at December 31, 2000, whereas the percentage coverage of problem loans was 15.6% on average. Provisions for the year's so-called generic coverage amounted to ITL 603 billion and corresponded to 0.59% of performing loans.

Loans to customers who are resident in problem countries amounted to ITL 2,620 billion (a decrease of 2.1% compared to the corresponding figure of the previous year).

The securities portfolio recorded a percentage decrease of 3.8%, equivalent to ITL 4,500 billion. The reduction in the investment portfolio is mainly attributable to the closing of the foreign branches of the Cariplo and Ambroveneto networks. Their investment portfolio was partly sold in the market and partly transferred to the trading portfolio of Banca Intesa, London branch.

## Funding Activity

### *Customer funds*

|  | <b>As at December 31</b>     |                |
|--|------------------------------|----------------|
|  | <b>2000</b>                  | <b>1999</b>    |
|  | <b>(in billions of lire)</b> |                |
| Deposits .....                                       | 25,469                       | 25,950         |
| Current and other accounts .....                     | 172,454                      | 162,632        |
| Securities in issue .....                            | 78,338                       | 73,621         |
| Certificates of deposit .....                        | 37,156                       | 36,754         |
| Other .....  | 15,983                       | 15,854         |
| <b>Total</b> .....                                   | <b>329,400</b>               | <b>314,811</b> |
| Repurchase agreement .....                           | 21,466                       | 13,002         |
| <b>Total direct deposits</b> .....                   | <b>350,866</b>               | <b>327,813</b> |
| Subordinated liabilities .....                       | 18,860                       | 16,603         |
| <b>Total (*)</b> .....                               | <b>369,726</b>               | <b>344,416</b> |
| Indirect deposits.....                               | 628,688                      | 575,138        |
| <b>Total deposits under administration</b> .....     | <b>998,414</b>               | <b>919,554</b> |
| (*) of which:  |                              |                |
| From Italian residents .....                         | 273,522                      | 272,937        |
| From residents in other E.U. countries .....         | 38,371                       | 25,701         |
| From residents in countries other than the E.U. .... | 57,833                       | 45,778         |



|   | As at December 31     |          |
|---|-----------------------|----------|
|   | 2000                  | 1999     |
|   | (in billions of lire) |          |
| <b>Due to banks</b>   |                       |          |
| Repayable on demand .....                                     | 29,114                | 18,350   |
| Other loans .....   | 147,199               | 142,295  |
| <b>Total</b> .....  | 176,313               | 160,645  |
|   |                       |          |
|   | As at December 31     |          |
|   | 2000                  | 1999     |
|   | (in billions of lire) |          |
| <b>Indirect deposits</b>                                      |                       |          |
| Individual portfolio management .....                         | 145,594               | 133,302  |
| Assets managed by mutual funds .....                          | 214,161               | 223,108  |
| Insurance products .....                                      | 20,194                | 14,858   |
| Deducted:   |                       |          |
| Funds from individual portfolios placed in mutual funds ..... | (92,415)              | (83,349) |
| <b>Total managed funds</b> .....                              | 287,534               | 287,919  |
| Assets under administration .....                             | 341,154               | 287,219  |
| <b>Total indirect deposits</b> .....                          | 628,688               | 575,138  |

Total customer funds recorded an increase of 8.6% as at December 31, 2000 amounting to ITL 998,414 billion. The item which showed a major growth were repurchase agreements which recorded an increase of over 65%. Excluding repurchase agreements and subordinated liabilities, the increase was 4.6%, mainly due to current accounts and senior notes issued.

Growth in direct customer deposits recorded by the Group was lower than the system. This led to a moderate decrease in the market share which moved from 17.1% in 1999 to 16.8% in the year 2000.

The direct customer deposits trend is to be considered together with the “indirect deposits” component, which is represented by assets under administration and custody and individual portfolio managed by the Group. If compared to the market, the growth of the Group resulted overall positive. In fact the growth rate was of 2.9% in the first 11 months of 2000, compared to an average decrease of 1.3% of the system.

For the first time, after years, the positive trend of the managed funds, which remained virtually unchanged compared to the previous year, slowed down as a result of the decrease in assets invested in mutual funds, which was common to the system. An increase of 35.9% was instead recorded in the sale of the insurance products.

### Capital Adequacy

The Bank of Italy has adopted risk-based capital ratios (“Capital Ratios”) pursuant to EC capital adequacy directives. Italy’s current capital requirements are in many respect similar to the requirements imposed by the international framework for capital measurement and capital standards of banking institutions of the Basel Committee on Banking Supervision (the “Basel Committee”). The Capital Ratios set for core (Tier 1) and supplemental (Tier 2) capital requirements relative to a bank’s assets and certain off-balance sheet items weighted according to risks (“Risk-Weighted Assets”).

In accordance with the Bank of Italy's regulations, the Bank is required to maintain a total capital ratio for the Group (total capital to total Risk-Weighted Assets) of at least 8.0 per cent., and on a non-consolidated basis of at least 7.0 per cent.

The following table sets out an analysis of the capital adequacy of the Group as at December 31, 2000, calculated according to the requirements of the Bank for International Settlements and the Bank of Italy be reference to total Risk-Weighted Assets of the Group of ITL 442,164 billion as at December 31, 2000.

|   | <b>As at December 31<br/>2000</b> |
|---|-----------------------------------|
|   | <b>(in billions of lire)</b>      |
| Tier 1 capital .....                                  | 26,562                            |
| Tier 2 capital .....                                  | 14,187                            |
| Items to be deducted .....                            | (964)                             |
| Total capital .....                                   | <u>39,785</u>                     |
| Capital adequacy ratios                               |                                   |
| Tier 1 .....  | 6.01%                             |
| Tier 1 and Tier 2 (net of items to be deducted) ..... | 9.00%                             |

Assuming consummation of the offering of the Trust Preferred Securities, the Group's Tier 1 and total capital ratios indicated above are estimated by management to be 6.23% and 9.22%, respectively.

## MANAGEMENT AND VOTING SYNDICATE

The management of the Bank is divided between two governing bodies as provided by its By-laws (*Statuti*): the Board of Directors and the Executive Committee (which operates under the delegated authority of the Board of Directors). The By-laws also provide for certain functions to be performed by the General Management composed of one or more General Managers, assisted, if appointed, by Joint General Managers and one or more Deputy General Managers, who are expected to implement the decisions taken by the Board of Directors, the Executive Committee and the Managing Directors and Chief Executive Officers. In accordance with Italian law, the By-laws of the Bank also provide for a Statutory Board of Auditors to be elected by the shareholders.

The composition of the Board of Directors of the Bank is the following:

### Board of Directors

| Position                         | Name and Surname              |
|----------------------------------|-------------------------------|
| <i>Chairman</i>                  | Giovanni Bazoli*              |
| <i>Deputy Chairman</i>           | Giampio Bracchi*              |
|                                  | Alfonso Desiata               |
|                                  | Jean Laurent                  |
|                                  | Luigi Lucchini                |
| <i>Managing Director and CEO</i> | Lino Benassi*                 |
| <i>Managing Director and CEO</i> | Christian Merle*              |
| <i>Directors</i>                 | Giovanni Ancaran              |
|                                  | Francesco Arcuc               |
|                                  | Marc Antoine Autheman         |
|                                  | Benito Benedini               |
|                                  | Giancarlo Forestieri*         |
|                                  | Paolo Fumagalli               |
|                                  | Jorge Manuel J. Gonçalves     |
|                                  | Gilles Gramat*                |
|                                  | Gianfranco Gutty              |
|                                  | Heinz J. Hockmann             |
|                                  | Franco Modigliani             |
|                                  | Gian Giacomo Nardozzi         |
|                                  | Eugenio Pavarani              |
|                                  | Jean-Luc Perron               |
|                                  | Alex Freiherr von Ruedorffer* |
|                                  | Sandro Salvati                |
|                                  | Gino Trombi                   |
|                                  | Marco Tronchetti Provera      |

\* Member of the Executive Committee.

Each member of the Board of Directors remains in office for a maximum of three financial years and may be re-elected for consecutive terms and their office may be revoked at any time by the vote of the shareholders in a general meeting. If the number of Directors decreases by more than one half of those Directors elected by

shareholders in general meeting, the By-laws provide for the automatic dissolution of the entire Board and the calling of a general meeting to elect new members.

The Board of Directors is obliged to meet at least every two months and such meetings may be convened at any time by the Chairman.

The shareholders set the Directors' remuneration for the duration of each three-year term at the general meeting when the Directors are elected.

### **Executive Committee**

IntesaBci's By-laws provide that the Board of Directors is required to appoint an Executive Committee composed of between five and ten members. Members of the Executive Committee hold office for a period set by the Board of Directors. The Chairman of the Board and the Managing Directors and Chief Executive Officers, if appointed, are automatically members of the Executive Committee. The Board of Directors determines the frequency of Executive Committee meetings, as well as its powers, responsibilities and working methods.

The Executive Committee is currently composed of Messrs Bazoli, Bracchi, Benassi, Merle, Forestieri, Gramat and von Ruedorffer.

### **General Management**

General Management consists of one or more General Managers, and, if appointed, one or more General Managers and one or more Deputy General Managers.

Taking account of their respective functions and responsibilities, these officers will implement the decisions taken by the Board of Directors, the Executive Committee and the Chief Executive Officer or the Chief Executive Officers, if appointed, as well as those taken urgently by the Chairman. The current General Managers of the Bank are Roberto Brambilla, Tommaso Cartone and Enrico Meucci.

### **Statutory Board of Auditors**

Pursuant to Italian law, the shareholders must appoint a Statutory Board of Auditors (*Collegio Sindacale*) which is composed of five regular statutory auditors and two alternate statutory auditors. In the process of implementation of Legislative Decree No. 58 of February 24, 1998 (the "Consolidated Financial Services Act"), the Bank amended its By-laws providing for the right of its minority shareholders to appoint two members of the Statutory Board of Auditors. The amendment entitles each shareholder or group of shareholders, owning at least 2% of the share capital, to propose lists of candidates to be appointed to the Statutory Board of Auditors. In the event that such lists are presented, two members of the Statutory Board of Auditors, out of five, will be appointed by the minority shareholders of the Bank.

The Statutory Board of Auditors is responsible, inter alia, for overseeing management and verification of compliance in accordance with applicable Italian law and the Bank's By-laws. The Statutory Board of Auditors is also responsible for ensuring that the Bank's organization, internal auditing and accounting system are adequate and reliable. The accounts of the Bank's must also be audited by external auditors.

The members of the Board of Statutory Auditors must be present at the Board of Directors' meetings and shareholders' meetings, and may attend the meetings of the Bank's Executive Committee. They remain in office for a three-year term and may be re-elected for consecutive terms and removed (only for cause) upon court approval. The Statutory Board of Auditors must meet at least once every three months.

The following table sets forth the names and positions of the current members of the Statutory Board of Auditors of the Bank who were all appointed for a three-year term (1999-2001) by the ordinary shareholders' meeting held on April 15, 1999.

| <b>Position</b>           | <b>Name and Surname</b>   |
|---------------------------|---|
| <i>Chairman</i>           | Gianluca Ponzellini   |
| <i>Auditors</i>           | Francesco Paolo Beato<br>Paolo Andrea Colombo<br>Franco Dalla Sega<br>Bruno Rinaldi |
| <i>Alternate Auditors</i> | Enrico Cervellera<br>Paolo Giolla   |

In accordance with applicable Italian regulations the accounts of the Bank must be audited by external auditors appointed by the shareholders at an ordinary general meeting. The appointment must be approved by the statutory Board of Auditors. Public companies may not appoint the same independent auditors for more than three consecutive three-year terms. Reconta Ernst & Young S.p.A. has been appointed for a three-year period to audit the financial statements for the years 2000-2002.

## **Employees**

As at December 31, 2000, the Group employed 75,894 employees.

## **Principal Shareholders and Shareholders' Agreement**

Certain major shareholders (the "Syndicated Shareholders" or "Syndicate") of the Bank are parties to a shareholders' agreement (the "Shareholders' Agreement") to govern their shareholdings in IntesaBci and which provided for, inter alia, the establishment of a voting syndicate. As of July 2, 2001 the Syndicated Shareholders held shares representing 38.47% of the ordinary shares of the Bank (the "Syndicated Shares"). The Syndicated Shares are the subject of the Shareholders' Agreement. Certain of the Syndicated Shareholders hold ordinary shares in the Bank in addition to the Syndicated Shares. The Shareholders' Agreement is designed to ensure continuity and stability of management policies regarding the Bank and its subsidiaries and to guarantee the Group's independence and managerial autonomy in the longer term.

As at July 2, 2001, the Syndicated Shareholders held the following number of Syndicated Shares:

| <b>Shareholder</b>                        | <b>% of ordinary<br/>share capital</b> |
|---|--|
| Caisse Nationale de Crédit Agricole ..... | 13.89                                  |
| Fondazione Cariplo .....                  | 8.49                                   |
| Gruppo Generali .....                     | 5.40                                   |
| Fondazione Cariparma .....                | 4.00                                   |
| Gruppo Lombardo .....                     | 3.52                                   |
| Gruppo Commerzbank .....                  | 3.17                                   |
| Total .....                               | 38.47                                  |

None of the parties to the Shareholders' Agreement may individually control the Bank.

The syndicate operates through:

- the Chairman, elected by the Management Committee of the Syndicate;
- the General Meeting, comprising representatives of the parties in the Syndicate which meets to consider any matter of common interest relating to the management of the Bank and its subsidiaries;
- the Management Committee of the Syndicate, composed of the relevant number of members equal to the number of parties comprising the Syndicate. The Management Committee establishes group budget, policies and strategies, financial reporting and dividend policies and considers mergers, changes to IntesaBci's By-laws, acquisitions and divestments of controlling interests and of financially or strategically significant businesses and all other decisions or matters affecting the Bank and its subsidiaries.

The Management Committee of the Syndicate appoints the Chairman, the Managing Directors and Chief Executive Officers and/or the General Managers and Chief Operating Officers of IntesaBci and the Chairmen, the General Managers and the Managing Directors and Chief Executive Officers of its principal subsidiaries.

Syndicate members planning to divest their holdings outside the Syndicate must first offer them to the Management Committee, fully disclosing the details of the proposed terms of sale. By a simple majority, the Management Committee may decide to exercise a pre-emptive right to acquire the shares on behalf of its members (in the established syndicate proportions) or of external parties. Should the Management Committee decide not to exercise this right, the selling member is entitled to divest the shares outside the Syndicate, provided that the terms of sale are as originally reported to the Committee. The admission of the transferee to the Syndicate is at the discretion of the Management Committee.

The Shareholders' Agreement will expire on April 15, 2002 and will be automatically renewed for three-year periods unless a notice is given six months prior to the expiry of the relevant three-year period.

## REGULATION AND SUPERVISION

### Regulation in the European Union

Within the EU, the creation of a single financial market at the end of 1992 has involved continued negotiations among member states towards establishing greater freedom in the cross-border banking and securities business through a harmonized institutionally-based regulatory environment, with emphasis on the role of the home country regulator. The Second Banking Co-ordination Directive established a framework for the mutual recognition of each European Economic Area member state's supervision of banks, enabling a bank authorized in one European Economic Area member state to carry out banking and investment activities on a branch or cross-border service basis in other European Economic Area member states on the basis of a single license provided by the home country supervisory authority. Supporting the Second Banking Co-ordination Directive are the Solvency and Own Funds Directives, which establish a minimum harmonization of regulatory capital requirements to enable banks to operate throughout the European Union under their authorization granted by the regulators of the home member state. The Capital Adequacy Directive establishes minimum capital standards for the investment business of securities firms and banks.

On January 1, 1999, eleven EU countries adopted the euro, relinquishing their monetary independence. At present, the European Central Bank ("ECB"), together with the EU national central banks, define and implement EU monetary policy, hold and manage some or all of member states' official foreign currency reserves and promote the smooth operation of payment systems. The implementation of EU monetary policy in the participating member states is carried out by their respective national central banks pursuant to their powers under national legislation, which has been amended to reflect the introduction of the euro and the ECB. Foreign exchange operations, particularly open market operations, are coordinated by the ECB, but are largely carried out by national central banks. The euro is now in a transitional period. During the transitional period, the euro can be used as a calculation unit and for payments in book-entry form. In early 2002, euro notes and coins are due to come into circulation which will end the transitional period and complete the introduction of the euro as a single currency unit in the eleven countries that have adopted the euro. As of July 1, 2002 at the latest, the eleven participating EU currencies will cease to exist.

### Regulation in Italy

#### *Structure of the Italian Banking System*

Since the early 1990s, the Italian banking system has been undergoing a process of reorganization and consolidation which has led to growth in the average size of banks and in the number of their branches, but has reduced the total number of banks. The reorganization is the consequence of changes in banking regulations and the competitive stimulus resulting from the liberalization of European financial markets and the advent of the euro. At the end of 1998, Italy had 922 banks according to the Bank of Italy and the process of reorganization and consolidation is expected to continue.

Historically, the Italian banking system divided banking institutions into different specialized types and limited the activities in which each type could engage. The system was based on a strict regime of prior approval for the business and structural decisions of banks. In sharp contrast, the new system emphasizes the freedom of banks to decide which banking and related financial activities to engage in and which structures to adopt, subject to generally applicable rules of prudence. The framework of the Italian banking regulations now largely mirrors EC Directive No. 89/646 (the "EU Second Directive"). The effect of the regulatory changes and Europe-wide liberalization has been a significant increase in competition in the Italian banking industry.

The principal components of regulatory and structural changes in Italy include the Legislative Decree No. 385 of September 1, 1993 (the Consolidated Banking Law), Law No. 218 of July 30, 1990 (the "Amato Law"), implemented by Legislative Decrees No. 356, 357, 358 of November 20, 1990, the Directive of the Ministry of



Treasury (the “Treasury”) of November 18, 1994 (the “Dini Directive”), Law No. 461 of December 23, 1998 (the “Ciampi Law”), implemented by Legislative Decree No. 153 of May 17, 1999, and certain fiscal changes (which implement the EU banking directives and Treaties). Taken together, these regulatory changes have altered the basic structure of the Italian banking industry.

### *Background*

Italy’s banking industry was regulated for over 50 years under the Banking Act of 1936 (the “Banking Act”), a law that set out the structure for the banking industry and regulated the different types of institutions permitted to operate in that market. The Banking Act was significantly modified by (i) EC Directive No. 77/780, implemented by Presidential Decree No. 350 of June 27, 1985 (the “EC First Banking Directive”), which facilitated the creation of new banking institutions and the opening in Italy of branches of banks based in other EU countries, (ii) the Amato Law and its implementing legislation discussed below and (iii) Legislative Decree No. 481 of December 14, 1992, implementing the EC Second Banking Directive.

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

Effective January 1, 1994, the Consolidated Banking Law eliminated the distinction between Ordinary Credit Institutions and Special Credit Institutions. Banking activities may now be performed by a single category of banks, which may collect demand and savings deposits from the public, issue bonds and extend medium- and long-term credit, subject to regulations issued by the Bank of Italy. Furthermore, subject to their respective By-laws and applicable regulations, banks may engage in all the business activities that are described as integral to banking in the EC Second Banking Directive.

In addition, pursuant to the provisions of the Amato Law, most of the Ordinary and Special Credit Institutions organized under public law have been transformed into joint stock companies. Consequently, Italian banks are now either (a) banks in the legal form of joint stock companies owned directly or indirectly by the private or public sector or by public law foundations (mostly controlled by local authorities) and (b) co-operative banks.

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

### *Consolidated Banking Law*

The Consolidated Banking Law repealed and replaced, among others, the Banking Act. The Consolidated Banking Law governs the role of the supervisory authorities, investment in banks, the definition of banking and related activities, the authorization of banking activities, the scope of banking supervision (in particular on a consolidated basis), special bankruptcy procedures for banks and the supervision of financial companies.

Generally, Italian banks are currently able to decide which banking and related financial activities to carry out and which structure to adopt, subject only to generally applicable prudential rules and the bank’s own By-laws.

### *The Amato Law*

The Amato Law was enacted in July 1990 with the aim of strengthening the capital base of the Italian banking system, creating incentives for its consolidation and permitting greater private investment. The restructuring process under the Amato Law was intended to create larger and more efficient institutions capable of providing better services and which could compete more effectively both in Italy and abroad.

The Amato Law contained two principal provisions:

*Conversion and organization:* Ordinary and Special Credit Institutions organized as public law entities were allowed to convert into, or to transfer their assets to, one or more joint-stock companies. The Amato Law also allowed banks to be members of a holding company structure.

*Tax incentives:* The tax incentives provided for in the Amato Law applied to mergers, conversion, contributions and spin-offs of assets relating to public law credit institutions completed prior to the end of 1995. Registration tax and other indirect taxes applicable to such reorganizations were substantially reduced. In addition, in order to encourage consolidation, the surviving banks following such reorganizations were permitted to deduct from their taxable income over a period of between three to five years sums set aside into a special reserve. Such sums may, over such period, be up to 1.2% (measured at the time of such consolidation) of the difference between the sum of customer loans and customer deposits of the larger component bank. Other favourable tax rules concern asset write-ups and capital gains on asset contributions.

### *The Dini Directive and Other Provisions*

The Dini Directive, enacted in November 1994, provided certain fiscal incentives for Italian banking foundations to encourage them to reduce their participation in the banks they controlled (known as *società conferitaria*). The Dini Directive stipulates that in order to benefit from such fiscal incentives, within five years of the directive's enactment, a foundation is required to:

- (i) cover more than 50% of its expenses with revenues from sources other than the *società conferitaria*; or
- (ii) hold a participation in the *società conferitaria* whose value does not exceed 50% of the foundation's total assets.

The reduction of the foundation's shareholding must be carried out either through public offerings or sales to banks, companies belonging to banking groups, broker-dealers or insurance companies. Capital gains arising from transfers of shares which enable the foundation to meet the parameters under (ii) above are tax-free.

On May 14, 1999, the Italian Government approved the legislative decree that enacted the Ciampi Law which includes further fiscal and other incentives to encourage Italian banking foundations still controlling their co-founded banks to reduce their shareholdings in such banks. The law also establishes fiscal incentives to encourage consolidation of the Italian banking system.

The effect of the Amato Law and Dini Directive and the implementation of the EC Directives has been a significant increase in the competition in the Italian banking industry in virtually all bank and bank-related services.

The EU Commission has however started an infraction proceeding against the Ciampi Law ordered to verify whether this law provides for state aids not allowed by the European Union.

## *Italian Usury Law*

Italian Law 7 March 1996 n. 108 (the “Usury Law”) has introduced a specific law preventing lenders from applying interest rates equal to or higher than those deemed to be usurious and providing criminal penalties for any entities or individuals found guilty of usury (“Usury Rates”). Usury Rates are set out on a quarterly basis by the Italian Treasury on the basis of the average market interest rate of the immediately preceding quarter.

Decree 29 December 2000 n. 394 (“Decree 394”), superseding the modifying certain interpretations of the Usury Law, has established that the relevant moment to ascertain the existence of a usury rate is the point at which agreement is reached on the interest rate and not at the time of payment of the interest itself. Decree 394 also provides for a reduction of interest rates due on existing fixed rate interest loans except where the interest rate agreed between the parties was more favourable for the debtor.

Decree 394, in order to be implemented, has to be converted into law and there is a considerable debate on possible amendments and integration.

### *Compounding of Interest (Anatocismo)*

There is doubt under applicable Italian law and regulation as to the enforceability of provisions requiring the payment of interest in respect of overdue interest in certain circumstances. Article 1283 of the Italian Civil Code permits such payment in limited circumstances but does permit interest to be paid on overdue interest in circumstances where this can be shown to be recognized customary practice. Italian banks have typically capitalized accrued interest on a three-month basis on the grounds that such practice could be characterized as customary practice. However, recent decisions of the Italian court have rejected this analysis.

A recent Italian statute nonetheless permits the *Comitato Interministeriale per il credito e risparmio* (the “CICR”) to promulgate the conditions and criteria pursuant to which compounding of interest is permissible and expressly validates already existing *anatocismo* (compounding of interest) provisions in agreements. In February 2000, the CICR issued a resolution (the “CICR Resolution”) setting forth the circumstances in which provisions permitting *anatocismo* in credit agreements are permissible. However, litigation challenging this statute in relation to interest paid before the effective date of the CICR Resolution is currently pending.

There can be no assurance as to the level of impact which the matters described above or under “- Italian Usury Law” may have on the Bank or the Group.

## **Italian Banking Regulatory Bodies**

Italian banks, including the Bank, are regulated by the *Comitato Interministeriale per il Credito e il Risparmio* (the “Interministerial Committee for Credit and Savings” or the “CICR”), the Treasury and the Bank of Italy. In addition, the *Commissione Nazionale per le Società e la Borsa* (“CONSOB”) regulates the securities activities of the Bank.

### *The CICR*

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

### *The Treasury*

The Treasury has broad powers in relation to banking and financial activities. The Treasury, in consultation with the Italian Ministry of Foreign Affairs, authorizes the establishment in Italy of the first branch

of non-EU banks, sets eligibility standards to be met by holders of equity interests in the share capital of a bank together with the level of professional experience and requirements of good moral standing which must be met by directors and executives of banks and other financial intermediaries. The Treasury may, in case of urgency, adopt measures that are generally within the sphere of CICR's powers and may also issue decrees which impose administrative sanctions against banks and their Managers and, upon proposal of the Bank of Italy, place banks in compulsory administrative liquidation or extraordinary management.

### *The Bank of Italy*

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

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

Audits may be ordinary or special (which are directed toward specific aspects of banking activity). Matters covered by an audit include the accuracy of reported data, compliance with banking laws and regulations, conformity with a bank's own By-laws and compliance with exposure limits.

The Bank of Italy requires all banks to report monthly information related to all financial components of their non-consolidated balance sheet.

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

The Bank of Italy retains some responsibility for monitoring Italian money supply. In order to control the money supply, the Bank of Italy principally uses open-market operations in Italian Government securities, currency and securities repurchase agreements, and its power to fix the rate on fixed-term advances. By injecting or absorbing funds through the purchase and sale, respectively, of Italian Government securities, providing Italian banks with ordinary and extraordinary advances and setting the rates at which such advances are available, the Bank of Italy may increase or decrease liquidity in the banking system.

The Bank of Italy also utilizes compulsory reserves to control the money supply. See “—Italian Banking Regulation—Reserve Requirements” below. Following the introduction of the euro, from January 1, 1999, the European System of Central Banks is responsible for the monetary policy in the EU participating Member States and, in particular, for monitoring interest rates.

### *CONSOB*

CONSOB is the government entity that monitors and regulates the securities markets and offerings of securities in Italy.

## Italian Banking Regulation

### *Reserve Requirements*

The reserve requirement is one of the instruments of monetary policy. Since the introduction of the euro on January 1, 1999, the European System of Central Banks (the “ESCB”) has been responsible for the monetary policy of the participating member states. The ESCB consists of the ECB and the central banks of the EU member states and its decisions are implemented by the central banks of the member states. The compulsory reserve requirement allows the ESCB to stabilize interest rates on the monetary market and to monitor the liquidity needs of the entire system. The amount of the compulsory reserve is determined by applying the ratio determined by the ECB.

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

The compulsory reserve earns an annual rate of interest equal to the average rate of the main refinancing transactions carried out by the ESCB, as calculated during the relevant maintenance period. Any excess amount held in a reserve account does not bear interest.

### *Risk-Based Capital Requirements and Solvency Ratios*

Capital adequacy requirements are regulated principally by EC Directive No. 89/299 (as amended), the EC Second Banking Directive, the Basel Committee’s Risk-Based Capital Guidelines, the Consolidated Banking Law, CICR Regulation of January 12, 1994, and by the regulations issued by the Bank of Italy. According to these regulations, at least half of the required total capital must consist of Tier 1 capital (“core capital”) and the rest may consist of Tier 2 capital (“supplementary capital” and together with core capital the “total capital”). Core capital includes paid-in share capital, capital reserves, retained earning reserves and a special reserve denominated “*fondo per rischi bancari generali*,” innovative capital instruments, less treasury shares, goodwill and intangible assets and losses carried forward and incurred in the fiscal year. Supplementary capital includes asset revaluation reserves, subordinated debt, hybrid instruments of deposit (such as non-redeemable loans), general allowance for loan losses and other positive items, less net losses on securities and other negative items, and the positive difference between market value and book value of shareholdings. There are limitations on the maximum amount of subordinated debt that may be counted as supplementary capital; for example, subordinated debt may not exceed 50 per cent. of core capital.

If the bank is part of a banking group, the required total capital must also be calculated on a consolidated basis. This required total capital will be the sum of the required total capital on a stand-alone basis of each bank

that is part of the group plus other components that typically arise out of the consolidation (*e.g.*, negative or positive consolidation differences).

Italian banking groups are required to have a ratio of total capital to risk-weighted assets of at least 8 per cent. on a consolidated basis and Italian banks belonging to a banking group are required to have a ratio of total capital as calculated for the Bank of Italy's regulatory purposes to risk-weighted assets of at least 7 per cent. on an unconsolidated basis. Italian banks not belonging to a banking group are required to have a ratio of total capital to risk-weighted assets of at least 8 per cent.

To calculate risk-weighted assets, assets and off-balance sheet items are weighted in relation to the nature of the debtors, the country risk and the guarantees and securities collateral received and are assigned one of five risk-weightings: 0 per cent., 20 per cent., 50 per cent., 100 per cent. and 200 per cent.

The aggregate capital requirements for banks is determined by reference to credit risk (*i.e.*, the solvency ratio) and market risk (*i.e.*, market risk on the trading securities and exchange risk on the total assets).

### *Loan Exposure Limitations*

The EC Directive No. 92/121 on the monitoring and control of large exposures of credit institutions (the "Large Exposures Directive") is intended to spread credit risks throughout the banking system and to limit a bank's exposure to any single borrower. In compliance with the criteria specified by the Treasury, the Bank of Italy issued supervisory regulations on the concentration of risk which implement the provisions of the Large Exposures Directive.

These regulations require banks to limit the aggregate loans to any single customer or group of related customers to 25 per cent. of a bank's total capital and the aggregate of their large exposures (loans exceeding 10 per cent. of their total capital) to not more than 800 per cent. of the bank's total capital. A lower limit (20 per cent. of total capital) applies to all persons or entities affiliated with the bank, which is defined to include (i) shareholders which control, directly or indirectly, the bank or own at least 15 per cent. of the share capital of the bank or of its parent company and (ii) companies controlled by the bank or of which the bank owns at least 20 per cent. of the share capital, excluding consolidated subsidiaries of the same banking group.

Banks belonging to banking groups are not required to conform to certain of these limits on an individual basis but only on a consolidated basis at the parent level. On an individual basis, banks belonging to banking groups must limit their loan exposures to any single customer or group of related customers to 40 per cent. of the bank's total capital and 25 per cent. of the bank's total capital by December 31, 2001.

### *Provisions for Credit Risks and Write-Offs*

Until the end of 1994, the Italian banking system was subject to severe restrictions on the amount of net adjustments to loans and other provisions for possible credit losses that could be deducted from taxable income. Provisions for credit risks related to loans to customers were only deductible from taxable income up to an amount per year equal to 0.5 per cent. of total loans to customers at year-end subject to a maximum on the total cumulative loan loss allowance equal to 5.0 per cent. of customer loans. These restrictions proved to be a fiscal disincentive to prudent adjustment and provisions. In 1995, Italian tax law was changed to permit any net adjustments in excess of 0.5 per cent. of loans to customers to be deducted from taxable income on a straight-line basis over seven years. In addition, write-offs not previously included in net adjustments relating to borrowers subject to administration, insolvency or similar proceedings became fully deductible from taxable income, provided such amounts do not exceed amounts relating to loans to such borrowers already deducted in previous years. As a result of these reforms, the fiscal disincentive to make adjustments has been reduced. With Law 21 November 2000, No. 342, (i) the tax deductible amount of provisions for credit risks related to total loans to customers at year-end has been increased to 0.6 per cent., and (ii) the period over which any net



adjustments in excess of 0.6 per cent. of loans to customers may be deducted from taxable income on a straight-line basis has been increased to nine years.

#### *Equity Participation by Banks*

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

Prior approval of the Bank of Italy is required for any equity investment by a bank in other banks or financial or insurance companies (i) exceeding 10 per cent. of the total capital of the acquiring bank; (ii) exceeding 10 per cent. or 20 per cent. of the share capital of the bank or financial or insurance company, respectively, being acquired; or (iii) resulting in the control of the share capital of the bank or financial or insurance company being acquired. The aggregate in investments by banks in insurance companies cannot exceed 40 per cent. of the acquiring bank's capital. However, in relation to banks belonging to banking groups, the aggregate investments in insurance companies may not exceed 60 per cent. of the total capital of the acquiring bank and may not exceed 40 per cent. of the acquiring bank's consolidated total capital.

As a general limit, equity investment by a bank in all types of companies may not in the aggregate exceed, together with real estate investments, 100 per cent. of a bank's required capital as defined by the Bank of Italy. Equity investments in industrial or commercial companies (other than banks or financial or insurance companies) by banks authorized by the Bank of Italy which have at least 1 billion in total capital and satisfy the solvency ratios (*banca abilitata*) are permitted within the following limits:

- (i) the aggregate amount of a bank's equity participation may not exceed 50 per cent. (on a consolidated and unconsolidated basis) of the bank's total capital (25 per cent. as to investments in unlisted companies);
- (ii) equity investments in a single non-financial company or in a group of non-financial companies may not exceed 6 per cent. of the bank's total capital; and
- (iii) generally banks may not acquire more than 15 per cent. of the voting shares of any non-financial company. However, such 15 per cent. limit may be exceeded provided that:
  - (a) the amount of the equity investment does not exceed 2 per cent. of the acquiring bank's total capital; and
  - (b) the aggregate amount of the part of the equity investments made by the bank in excess of the above limit of 15 per cent. does not exceed 2 per cent. of the acquiring bank's total capital.

The Bank of Italy has established lower limits for banks with total capital lower than 2,000 billion and higher limits for banks which, besides meeting the above-mentioned requirements, collect medium- and long-term funds and take no demand deposits.

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

#### *Real Estate Holdings by Banks*

Banks may purchase real estate provided that such property is instrumental to the exercise of their banking and financial activities. No real estate may be acquired for speculative purposes.

The aggregate amount of a bank's investments in real estate and shareholdings may not exceed its total capital unless the acquisition of the real estate is necessary for the protection of the bank's rights as a creditor.



### *Accounting and Reporting Requirements*

The Bank of Italy requires all banks to report periodically financial information relating to all components of their balance sheet, as well as their off-balance sheet operations and their liquidity.

Italian companies, including banks, are required to employ statutory auditors. The statutory auditors are elected at the general shareholders' meeting and are separate from the internal and external auditors. The statutory auditors are required to verify matters relating to corporate governance and compliance with law, as well as the company's accounts. The statutory auditors are required to transmit to the Bank of Italy copies of the minutes of their meetings and reports of irregularities in the bank's management or violations of law. Moreover, at least quarterly, the statutory auditors shall be informed by the board of directors of any material transaction carried out by the company and of any potential conflict of interest that may arise from such transaction.

Companies listed on an Italian stock exchange, including the Bank, also are required to have their annual financial statements audited by external auditors. External auditors perform annual audits of the Bank's domestic and foreign operations. Copies of the audited financial statements are provided to the Bank of Italy.

### *Insurance on Deposits*

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

The Interbank Fund, of which all Italian banks (including Italian branches of foreign banks) are members, intervenes when a credit institution is in compulsory administrative liquidation. In the event of controlled management, the Interbank Fund may make payments to support the business of a credit institution, which may take various forms (debt financing, the taking of equity stakes in the banks, etc.).

According to its terms, the Interbank Fund is obliged to compensate depositors in the event of a compulsory administrative liquidation of a bank. The maximum coverage per depositor may not be less than ITL 200 million, approximately 20,000 of which must be repaid within three months of a decree for the bank's compulsory administrative liquidation. Deposits by other banks in their own name and for their own account, customer, deposits and other customer funds in bearer form are, among other items, excluded from coverage. The Bank has been a member of the Interbank Fund since its establishment.

### *Restrictions on Investments in Banks*

Italian banking legislation requires any purchase of shares of a bank or a bank group's holding company to be previously authorized by the Bank of Italy if, alone or combined with previous purchases, such purchase causes the purchaser's shareholding in the bank or the bank group's holding company to exceed 5 per cent. (or the further thresholds of 10 per cent., 15 per cent., 20 per cent., 33 per cent. and 50 per cent.) of the voting capital of the Bank or the holding company or if, regardless of such limit, such purchase or variation in shareholding entails the acquisition of control of the Bank or the banking group. Similarly, the acquisition of a controlling interest in a company which holds shares representing more than 5 per cent. of a bank's voting capital or which otherwise has a controlling interest in a bank is subject to prior authorization by the Bank of Italy. These provisions apply also to public purchase and exchange offers. Where the acquisition in question is made by a non-EU party whose country of origin does not offer reciprocal conditions for the acquisition of interests in banking institutions in that country by an Italian party, the Bank of Italy will notify the Treasury and the President of the Council of Ministers; the latter at the proposal of the Treasury, may refuse the authorization. Notification must be made prior to the transfer of the shares, which must be made conditional on the granting of authorization by the Bank of Italy.

The authorization must be requested from the Bank of Italy prior to the acquisition becoming effective. No public purchase or exchange offer may be launched until the Bank of Italy's authorization has been obtained.

In addition and without prejudice to the foregoing, any intention to acquire a controlling stake in a bank or in a banking group must be notified to the Bank of Italy at the time of the first contact with the seller. Such notice must contain information with respect to (i) the existing relationships that the prospective purchaser has with the target bank or group holding company as well as with other banks and financial intermediaries, (ii) the target bank or group holding company's shareholders and (iii) the method for the financing of the proposed acquisition.

Similarly, any intention to dispose of a controlling participation in a bank or banking group's holding company must be notified to the Bank of Italy, with the relevant notice specifying the terms and conditions of the envisaged transaction and the possible counterparties. Further provisions apply in the case of companies, including banks, listed on the *Nuovo Mercato*.

The Bank of Italy must respond within 60 days from receipt of the request for authorization and the ancillary documentation. Such term is suspended when further information is required. Authorization is granted when the proposed purchaser meets the integrity requirements set out by law and the acquisition does not impair the sound management of the bank. Any authorization so granted may be suspended or revoked. Where the person intending to acquire a controlling participation in a bank or a bank group's holding company is an EU bank or its controlling shareholder, the authorization is given after consultation with the supervisory authority of the purchasing bank's home member state.

Any party that, either directly or indirectly through its subsidiaries, is primarily engaged in a non-banking or non-financial sector, will not be authorized to acquire shares in a bank which results in its aggregate holding exceeding 15 per cent. of such bank's voting capital, or which gives it a controlling interest in the bank, subject to certain exceptions. Authorization from the Bank of Italy will be denied or revoked when any such party exercises, on a consistent basis, power to appoint (or remove) the majority of the members of the board of directors of the bank through any form of arrangement so as to impair the sound management of the bank. Shares held by any such party in excess of the 15 per cent. threshold or which otherwise result in such party to have control over the bank, must be sold within periods determined by the Bank of Italy. In the absence of any such disposal, the Bank of Italy may apply to a court to order the sale of the shares in question.

The acquisition of a shareholding in a bank exceeding certain thresholds (5 per cent., 10 per cent., 15 per cent., 20 per cent. and 33 per cent. of the share capital of the bank and, in any event, the control of the bank), any subsequent variation of shareholding that brings such shareholding below these thresholds as well as any increase in the shareholding which results in the thresholds of 25 per cent., 40 per cent., 45 per cent. or 55 per cent. of the bank's share capital or any threshold above 55 per cent. by multiples of 5 per cent. (e.g., 60 per cent., 65 per cent., 95 per cent.) being exceeded or the 100 per cent. of share capital to be acquired, must also be reported to the Bank of Italy and the bank within ten days of the date upon which such participation was acquired. The Bank of Italy retains the right to decrease the thresholds with respect to banks characterized as having a widely disbursed membership. Shares held through subsidiaries, fiduciaries or intermediaries are taken into account for the purpose of calculating such ownership thresholds. In addition, the Bank of Italy may require fiduciaries to disclose the identities of the beneficial owner of the shares of a bank held in trust. Shares held for which the requisite authorizations have not been granted or have otherwise been suspended or revoked, or in respect of which the required notification to the Bank of Italy has not been made, may not be voted, although they will count for quorum purposes. Any shareholders' resolution adopted in breach of the foregoing may be subject to legal challenge, if the resolution would not have been passed in the absence of votes attributable to such shares, by members of the Board of Directors, members of the Board of Statutory Auditors, or absent or dissenting shareholders within three months from the date of the resolution or, if the resolution is subject to filing with the *Registro delle Imprese*, within three months from the date of registration. The resolution may also be challenged, or annulled on the request of the Bank of Italy within six months from the date of the resolution

or, if the resolution is subject to filing with the *Registro delle Imprese*, within six months from the date of registration.

Pursuant to regulations issued by the Treasury, parties which hold, directly or indirectly, more than 5 per cent. of a company's share capital must satisfy certain integrity requirements. If such requirements are not satisfied any shares that are held in excess of the 2 per cent. limit may not be voted although they will count for quorum purposes. Shareholders' resolutions adopted in breach of the foregoing may be annulled if such resolutions would not have been passed in the absence of votes attributable to such shares.

Where the acquisition of a participation in a bank encompasses a transaction which is relevant under the applicable Italian antitrust legislation, the prospective purchaser must send the Bank of Italy a separate and specific notice. In accordance with Italian antitrust laws and regulations, the Bank of Italy, upon consultation with the Italian antitrust authority, is required to prohibit acquisitions of sole or joint control over a bank that would create or strengthen a dominant position in the domestic banking market or a significant part thereof, which would result in an elimination or a substantial reduction, on a lasting basis, of competition, provided that certain revenue thresholds are exceeded. However, if the acquiring party and the party to be acquired surpass certain turnover thresholds, the antitrust approval of the acquisition falls within the exclusive jurisdiction of the EU Commission.

### **Exchange Controls in Italy**

The following discussion of exchange controls in Italy summarizes relevant Italian laws in force at the date hereof, but does not purport to be a comprehensive description of all exchange control considerations that may be relevant to a decision to purchase the securities offered hereby.

There are no exchange controls in Italy. Residents and non-residents of Italy may effect any investments, divestitures and other transactions that entail transfer of assets to or from Italy, subject only to the reporting, record-keeping and disclosure requirements described below. Residents of Italy may hold foreign currency and foreign securities of any kind, within and outside Italy, non-residents may invest in Italian securities without restriction and may export from Italy cash, instruments of credit and securities, in both foreign currency and lire, representing interest, dividends, other asset distributions and the proceeds of dispositions.

Updated reporting and record-keeping requirements are contained in Italian legislation, which implements an EC directive regarding the free movement of capital. Such legislation requires that transfers into or out of Italy of cash or securities in excess of ITL 20 million be reported in writing to the *Ufficio Italiano Cambi* by residents or non-residents that effect such transfers directly, or by credit institutions and other intermediaries that effect such transactions on their behalf. In addition, credit institutions and other intermediaries effecting such transactions on behalf of residents or non-residents of Italy are required to maintain records of such transactions for five years, which may be inspected at any time by Italian tax and judicial authorities. Non-compliance with these reporting and record-keeping requirements may result in administrative fines or, in the case of false reporting and in certain cases of incomplete reporting, criminal penalties. The *Ufficio Italiano Cambi* will maintain reports for a period of ten years and may use them, directly or through other government offices, to police money laundering, tax evasion and any other crime or violation.

Individuals, non-profit entities and partnerships that are residents of Italy must disclose on their annual tax declarations all investments and financial assets held outside Italy, as well as the total amount of transfers to, from, within and between countries other than Italy relating to such foreign investments or financial assets, even if at the end of the taxable period such persons no longer owned such foreign investments or financial assets. No such disclosure is required in respect of foreign investments or financial assets that are exempt from income tax or if withholding tax in Italy has already been paid. Such disclosure requirement does not apply if the total value of the investments and assets at the end of the taxable period or the total amount of the transfers effected during the year is not greater than ITL 20 million. Corporate residents of Italy are exempt from such

disclosure requirements with respect to their annual tax declarations because this information is required to be disclosed in their financial statements.

There can be no assurance that the present regulatory environment within or outside Italy will endure or that particular policies presently in effect will be maintained, although Italy is required to maintain certain regulations and policies by virtue of its membership in the EU and other international organizations and its adherence to various bilateral and multinational international agreements.

## INTESABCI PREFERRED SECURITIES INVESTOR TRUST

IntesaBci Preferred Securities Investor Trust is a statutory business trust formed on July 9, 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 July 12, 2001 (as so amended and restated, the “Trust Agreement”).

The LLC will own 100 per cent. 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 LLC Preferred Securities from the LLC. The assets of the Trust will consist solely of the LLC 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 LLC 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 Claudio Marchiori, a resident of the United States, Benjamin B. Abedine, a resident of the United States and Albert J. Fioravanti, 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 LLC 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 LLC Preferred Securities under the LLC Agreement as the holder of the LLC Preferred Securities. In addition, the Property Trustee will maintain exclusive control of the property account to hold all payments received in respect of the LLC 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 LLC, 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. 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 per cent. of the Trust Common Securities will be held by the LLC, 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 or (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 recognized 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 LLC 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 LLC 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 LLC, 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 LLC and the Trust. As issuer of the LLC Preferred Securities, the LLC 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 Regular Trustees is Two Wall Street, 7th Floor, New York, New York 10005, USA.



## INTESABCI PREFERRED CAPITAL COMPANY LLC III DELAWARE

IntesaBci Preferred Capital Company LLC III Delaware is a limited liability company that was formed on July 9, 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 July 12, 2001 (as so amended and restated, the “LLC Agreement”) in order to reflect, among other things, the issuance by the LLC of its common securities (the “LLC Common Securities”) and its preferred securities (the “LLC Preferred Securities,” and together with the LLC Common Securities, the “LLC Securities”).

The Property Trustee will initially hold 100 per cent. of the issued and outstanding LLC Preferred Securities on behalf of the holders of the Trust Securities. The Bank will initially hold 100 per cent. of the issued and outstanding LLC Common Securities, which will have an initial liquidation preference equal to €11,000,000.

The LLC will use the proceeds from the sale of the LLC Securities and the up-front 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 LLC 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 LLC exists, *inter alia*, for the purposes of:

- issuing the LLC 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 LLC Preferred Securities remain outstanding, the Bank will covenant:

- that 100 per cent. of the LLC 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 LLC to remain a limited liability company and not to voluntarily dissolve, liquidate or wind up, except as permitted by the LLC Agreement; and
- to use its commercially reasonable efforts to ensure that the LLC will not be (x) an investment company for purposes of the 1940 Act or (y) an association or a publicly traded partnership taxable as a corporation for United States federal income tax purposes.

The holder of the LLC 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



recognized law firm in the United States experienced in such matters to the effect that: (1) the LLC will continue to be treated as a partnership for United States federal income tax purposes and such transfer will not cause the LLC to be classified as an association or publicly traded partnership taxable as a corporation for United States federal income tax purposes; (2) such transfer will not cause the LLC 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 LLC Preferred Securities; and (4) such transfer will not cause a Capital Event.

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

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

The LLC’s business and affairs will be conducted by its Board, which will consist initially of five members. The initial Regular Independent Director will be Dean A. Christensen. The other initial members of the Board include Claude Amitie, Claudio Marchiori, Fabio Matti and Giancarlo Ranzini each of whom is an employee of the Group and a non-resident of Italy.

The LLC Agreement will provide, however, that for so long as any LLC Preferred Securities are outstanding, certain amendments of the LLC Agreement, including any provisions with respect to the enforcement of the LLC Subordinated Guarantee and the payment of Dividends, require the unanimous approval of all of the holders of the LLC Preferred Securities, and certain other amendments of the LLC Agreement require the approval by the affirmative vote of the holders of not less than 66 2/3 per cent. of the outstanding LLC Preferred Securities, excluding any LLC Preferred Securities held by the Bank or any of its affiliates. If, for any Dividend Period, Mandatory Dividends, and any LLC Additional Amounts in respect of such Mandatory Dividends, have not been paid in full on the LLC Preferred Securities by the LLC or by the Bank under the LLC Subordinated Guarantee, holders of LLC Preferred Securities will be entitled to appoint a Special Independent Director. See “Description of the LLC Securities—LLC Preferred Securities—Voting Rights” and “Description of the LLC Securities—LLC Preferred Securities—Independent Director Approval.”

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

On or before the Issue Date, the LLC and the Trust will enter into a Services Agreement with Lord Securities Corporation. See “IntesaBci Preferred Securities Investor Trust.” The Bank will provide the LLC with the funds necessary for payment by the LLC 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 LLC, and all other obligations of the LLC (other than with respect to the LLC Securities).

The location of the registered office of the LLC is One Rodney Square, 10th Floor, Tenth and King Streets, Wilmington, New Castle County, Delaware 19801, USA.

## 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 LLC 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 LLC Preferred Securities or the issuance by the Trust of any securities other than the Trust Securities or the incurrence of any indebtedness for borrowed money by the Trust. 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 for the Trust Preferred Securities (the “Principal Paying Agent”) and DEXIA Banque Internationale à Luxembourg S.A., 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 Trust Preferred Securities with respect to each Dividend Period will be paid to the extent that Dividends on the LLC Preferred Securities have been declared or deemed declared and in each case paid by the LLC to the Trust or paid by the Bank under the Subordinated Guarantees or otherwise with respect to the corresponding Dividend Period. Amounts paid to holders of the Trust Preferred Securities in respect of Dividends and other distributions will be limited to payments received by the Trust from the LLC with respect to the LLC Preferred Securities or from the Bank under the Trust Subordinated Guarantee or otherwise.

Dividends on the Trust Preferred Securities, only if and to the extent the Trust has funds legally available for payment of such Dividends in the Trust’s property account, will accrue and be payable on a noncumulative basis as follows: (i) Dividends will accrue at the fixed rate per annum (the “Fixed Dividend Rate”) of 6.988 per cent. of the liquidation preference of €1,000 per Trust Preferred Security during each Dividend Period until the Dividend Period that begins on July 12, 2011 and will be payable in arrear on each July 12, commencing July 12, 2002, and (ii) during each Dividend Period thereafter, Dividends will accrue at a floating rate per annum (each a “Floating Dividend Rate”) of 2.6 per cent. above the Euro Inter-bank Offered Rate for three-month euro deposits (“EURIBOR”) and will be payable in arrear on each January 12, April 12, July 12 and October 12, commencing July 12, 2011 (each, a “Dividend Payment Date”).

Prior to the Dividend Period that begins on July 12, 2011, Dividends on the Trust Preferred Securities for any period short 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 July 12, 2001, with respect to the Dividends payable on July 12, 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 July 12, 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.

“Business Day” means any day (A) other than a Saturday, Sunday or a day on which banking institutions in The City of New York, London and Milan are authorized or required by law or executive order to remain closed and (B) that is a TARGET Settlement Day.

With respect to each Dividend Period commencing with the Dividend Period that begins on July 12, 2011, Dividends payable on each Dividend Payment Date will be calculated on a quarterly basis for each such Dividend Period, from and including the EURIBOR Reset Date (as defined below) falling in such quarter to but excluding the EURIBOR Reset Date falling in the next succeeding Dividend Period at a Floating Dividend Rate determined on the related EURIBOR Determination Date (as defined below) for such Dividend Period. The Dividend in respect of each Dividend Period will be calculated on the basis of a 360-day year and the actual number of days elapsed during such Dividend Period. Each Dividend Payment Date on or after July 12, 2011 will also be a EURIBOR Reset Date. If any EURIBOR Reset Date, Dividend Payment Date or Redemption Date after July 12, 2011 falls on a day that is not a Business Day, such EURIBOR Reset Date, Dividend Payment Date or Redemption Date will be postponed to the next succeeding day which is a Business Day, unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding day that is a Business Day.

“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, at approximately 11:00 a.m. (Brussels time) on that EURIBOR Determination Date.

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 at approximately 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.

“Calculation Agent” means The Bank of New York or any successor thereto.

“EURIBOR Determination Date” for any Dividend Period commencing on or after July 12, 2011, means the second TARGET Settlement Day preceding the applicable EURIBOR Reset Date.

“EURIBOR Reset Date” means the first day of any Dividend Period commencing on or after July 12, 2011.

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

“Telerate Page 248” means the display designated as “Page 248” on the Bridge Telerate Service (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).

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 per cent. (or .09876545) would be rounded to 9.87655 per cent. (or .0987655)).

The Calculation Agent will notify the Luxembourg Stock Exchange of 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 a 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.

### **Payment of Additional Amounts**

All payments in respect of the Trust 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, any jurisdiction of residence of an Eligible Borrower or any jurisdiction of residence of the Guarantor (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, as further Dividends, such additional amounts (“Additional Amounts”) as may be necessary in order that the net amounts received by the holders of the Trust Securities (or a third party on the holder’s behalf), after such withholding or deduction, will equal the amount which would have been received in respect of the Trust Securities in the absence of such withholding or deduction, except that no such Additional Amounts will be payable to a holder of Trust Securities (or to a third party on the holder’s behalf) with respect to any Trust Securities to the extent that such Relevant Tax is imposed or levied by virtue of such holder (or the beneficial owner of such Trust Securities) (1) having some connection with the Relevant Jurisdiction, other than being a holder (or beneficial owner) of such Trust 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 Trust or the LLC or either of their agents has provided the beneficial owner of such Trust 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 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) an LLC Enforcement Event (as defined below under “Description of the LLC Securities—LLC Preferred Securities—LLC Enforcement Events”) with respect to the LLC 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 Securities until all Trust Enforcement Events with respect to the Trust Preferred Securities have been cured, waived or otherwise eliminated. In the case of a Trust Enforcement Event set forth in clause (1) above, the Trust may cure such Trust Enforcement Event by making Dividend payments on the Trust Securities in full on each Dividend Payment Date for 12 consecutive months. Until every Trust Enforcement Event with respect to the Trust Preferred Securities has been so cured, waived or otherwise eliminated, the Property Trustee will be deemed to be acting solely on behalf of the holders of the Trust Preferred Securities and only the holders of the Trust Preferred Securities will have the right to direct the Property Trustee with respect to certain matters under the Trust Agreement and, in the case of non-payment of Mandatory Dividends on the LLC Preferred Securities for any Dividend Period, the election of one Special Independent Director to the Board. See “Description of the LLC Securities—LLC Preferred Securities —Voting Rights” and “—Independent Directors Approval.” Upon the occurrence of a Trust Enforcement Event, the Trust will notify or cause the Luxembourg Stock Exchange to be notified of such event.

Upon the occurrence of a Trust Enforcement Event:

- (a) the Property Trustee, as the holder of the LLC Preferred Securities, shall have the right to enforce the terms of the LLC Preferred Securities, including:
  - (1) the right to vote for the election of one Special Independent Director to the Board (to the extent that such Trust Enforcement Event results from the non-payment of Dividends on the LLC Preferred Securities for any Dividend Period);
  - (2) the rights of the holders of the LLC Preferred Securities under the LLC Subordinated Guarantee; and
  - (3) the rights of the holders of the LLC Preferred Securities to receive Dividends (only if and to the extent declared or deemed to have been declared) on the LLC Preferred Securities; and
- (b) the Property Trustee shall have the right to enforce the terms of the Trust Subordinated Guarantee.

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

## **Redemption**

The LLC Preferred Securities may be redeemed by the LLC, at its option, in whole or in part, at the Regular Redemption Price (as defined below) on any Dividend Payment Date on or after July 12, 2011, subject to receipt of the prior approval, if then required, of the Bank of Italy. Upon the occurrence of an LLC Special Event (as defined below) (other than a Change in Law Tax Event (as defined below)), the LLC Preferred Securities may be redeemed by the LLC, at its option, in whole but not in part, at the Regular Redemption Price (as defined below) on any Dividend Payment Date on or after July 12, 2011 (a “Regular Redemption Date”), or at the Special Redemption Price (as defined below) on any Dividend Payment Date prior to July 12, 2011 (the “Special Redemption Date” and collectively 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, the LLC Preferred Securities may be redeemed by the LLC, at its option, in whole but not in part, at the Regular Redemption Price on any Dividend Payment Date, with prior approval of the Bank and, if then required, the Bank of Italy. Upon any such redemption of the LLC Preferred Securities, the proceeds from such repayment shall simultaneously be applied to redeem a corresponding aggregate liquidation preference of Trust Securities at the applicable Redemption Price; *provided, that*, holders of the Trust Securities shall be given not



less than 30 nor more than 60 days' notice of such redemption and payments will be made pursuant to the Trust Agreement (see "—Payments"). See "Description of the LLC Securities—LLC Preferred Securities—General," "—Redemption and Repurchase of LLC Preferred Securities—Optional Redemption" and "—Redemption and Repurchase of LLC Preferred Securities—LLC 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 LLC Agreement provides that if a partial redemption of the LLC 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 LLC will redeem the LLC Preferred Securities only in whole. Any LLC Preferred Securities or Trust Securities that are redeemed will be cancelled and not reissued following their redemption.

An "LLC Special Event" means (1) a Capital Event, (2) an Investment Company Event or (3) a Tax Event.

The "Regular Redemption Price" means the liquidation preference of €1,000 per LLC 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 LLC Additional Amounts thereon, if any.

"Special Redemption Price" means the greater of (1) the liquidation preference of €1,000 per LLC Preferred Security and (2) the Make-Whole Amount (as defined below), 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 LLC Additional Amounts thereon, if any.

"Redemption Price" means the Regular Redemption Price or the Special Redemption Price, as the case may be.

"Make-Whole Amount" means the amount equal to the sum of the present value of the liquidation preference of €1,000 per LLC Preferred Security, together with the present values of the scheduled noncumulative Dividend payments per LLC Preferred Security from the Special Redemption Date to the Dividend Payment Date on July 12, 2011, in each case, discounted to the Special Redemption Date on an annual basis, calculated on the basis of the actual number of days in the relevant calendar year and the actual number of days in such period at the German Bund Rate (as defined below) plus .50 per cent.

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

"Comparable German Bund Issue" means the German Bund security selected by the Calculation Agent as having a maturity comparable to July 12, 2011 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities having a maturity of July 12, 2011.

"Comparable German Bund Price" means (A) the average of five Reference German Bund Dealer Quotations for the Special Redemption Date, after excluding the highest and lowest such Reference German Bund Dealer Quotations or (B) if the Calculation Agent obtains fewer than five such Reference German Bund Dealer Quotations, the average of all such Reference German Bund Dealer Quotations.

"Reference German Bund Dealer" means (A) the Calculation Agent and (B) any other German Bund dealer selected by the Calculation Agent after consultation with the LLC.

“Reference German Bund Dealer Quotations” means, with respect to each Reference German Bund Dealer and the Special Redemption Date, the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Calculation Agent by such Reference German Bund Dealer at 3:30 p.m., Frankfurt time, on the third German Business Day immediately preceding the Special Redemption Date.

“German Business Day” means a day other than a Saturday or Sunday or a day on which banking institutions in Frankfurt, Germany are authorized or required by law or executive order to remain closed.

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, LLC 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 LLC, 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 expenses incurred or payable by the Trust attributable to the Trust Special Event.

A “Trust Special Event” means (1) an Investment Company Event solely with respect to the Trust, but not with respect to the LLC or (2) a Tax Event solely with respect to the Trust, but not with respect to the LLC or an Eligible Borrower.

“Capital Event” means the Bank is notified by the Bank of Italy to the effect that the LLC Preferred Securities or the Subordinated Deposit may not be included in the consolidated or stand-alone Tier 1 capital of the Bank.

An “Investment Company Event” means that the Bank shall have requested and received an opinion of a nationally recognized United States law firm experienced in such matters to the effect that there is more than an insubstantial risk that the Trust or the LLC is or will be considered an “investment company” within the meaning of the 1940 Act, as a result of any judicial decision, any pronouncement or interpretation (irrespective of the manner made known), 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.

A “Tax Event” means a Change in Law Tax Event, an Interpretation Tax Event or a Tax Deductibility Event.

A “Change in Law Tax Event” means the receipt by the Bank of an opinion of a nationally recognized 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 other change (including any change that has been adopted, but which has not yet 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, which amendment or other change is effective, or which prospective change is announced on or after the date of original issuance of the Trust Preferred Securities and the LLC Preferred Securities, as a result of which there is more than an insubstantial risk that: (A) the Trust or the LLC is or will be subject to more than a *de minimis* amount of taxes, duties or other governmental charges; (B) if a payment in respect of the Trust Preferred Securities or the LLC Preferred Securities were to be due (whether or not the same is in fact then due) on or before the next Dividend Payment Date, the Trust or the LLC, as the case may be, would be unable to make such payment without having to pay Additional Amounts or LLC 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 such Subordinated Deposit, the related Eligible Borrower would be unable to make such payment without having to pay Subordinated Deposit Additional Amounts; *provided, however*, 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 LLC taking reasonable measures which (x) do not require the Eligible Borrower, the LLC or the Trust to incur 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.

An "Interpretation Tax Event" means, to the extent not covered in the definition of "Change of Law Tax Event", the receipt by the Bank of an opinion of a nationally recognized law firm or other tax adviser in the Relevant Jurisdiction, as appropriate, experienced in such matters, to the effect that, as a result of (1) a change in the official interpretation of 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, or (2) 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) (for purposes of this definition, an "Administrative Action"); or (3) any clarification of, or change in the official position or the interpretation of such Administrative Action or any interpretation or pronouncement that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental, administrative or regulatory authority or body, irrespective of the manner in which such clarification or change is made known, which Administrative Action, clarification or change is effective, or which notice or announcement is made, on or after the date of the initial issuance of the Trust Preferred Securities and the LLC Preferred Securities, as a result of which there is more than an insubstantial risk that (A) the Trust or the LLC is or will be subject to more than a *de minimis* amount of taxes, duties or other governmental charges; (B) if a payment in respect of the Trust Preferred Securities or the LLC Preferred Securities were to be due (whether or not the same is in fact then due) on or before the next Dividend Payment Date, the Trust or the LLC, as the case may be, would be unable to make such payment without having to pay Additional Amounts or LLC 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 such Subordinated Deposit, the related Eligible Borrower would be unable to make such payment without having to pay Subordinated Deposit Additional Amounts; *provided, however*, 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 LLC taking reasonable measures which (x) do not require the Eligible Borrower, the LLC or the Trust to incur 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.

A "Tax Deductibility Event" means the receipt by the Bank of an opinion of a nationally recognized 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 or any political subdivision or taxing authority thereof or therein affecting taxation, (2) 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) in such Relevant Jurisdiction (for the purposes of this definition an "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 such Eligible Borrower will be subject to more than a *de minimus* additional amount of national income taxes due to a change or modification of the deductibility of the interest payments on such Subordinated Deposit *provided, however*, 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.

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 LLC has paid to the Property Trustee a sufficient amount of cash in connection with the related redemption of the LLC 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*.

In accordance with, and subject to the limitations set forth in the LLC Agreement, so long as any LLC Preferred Securities are outstanding, neither the Bank nor any Subsidiary 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 Securities, through a sinking fund or otherwise, unless and until (A) full Dividends on all LLC Preferred Securities for the prior financial year (or such lesser period during which the LLC Preferred Securities have been outstanding) and any Dividend Period that has 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 LLC has declared a Dividend on the LLC Preferred Securities in full at the Dividend Rate for the then current Dividend Period and sufficient funds have been paid to the Paying Agents for payment of such Dividends. It is an obligation of the Bank to ensure that its affiliates observe the foregoing limitations.

If the LLC Preferred Securities are distributed to the holders of the Trust Preferred Securities, the Bank and the LLC will notify such holders prior to such distribution in accordance with the provisions set forth in “General Listing Information—Notices.” If the LLC Preferred Securities are distributed to such holders, the Bank will use its commercially reasonable efforts to cause the LLC Preferred Securities to be listed on the Luxembourg Stock Exchange or on such other international securities exchange or similar organization as the Trust Preferred Securities are then listed or quoted. The LLC 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 LLC 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 LLC 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 LLC Preferred Securities having an aggregate liquidation preference equal to the aggregate liquidation preference of such Trust Securities until such certificates are presented to the LLC 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 Distribution Upon Dissolution**

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

Pursuant to the Trust Agreement, the Trust shall dissolve (1) upon the bankruptcy, insolvency, liquidation or dissolution of the Bank or the LLC, (2) upon the filing of a certificate of cancellation with respect to the LLC, (3) 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 LLC 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 pursuant to the terms thereof or (y) the LLC 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 herein, under the Trust Act and under “Description of the Subordinated Guarantee—Amendment,” and as otherwise required by law and the Trust Agreement, the holders of the Trust Preferred Securities will have no voting rights.

Subject to the requirement of the Property Trustee obtaining a tax opinion as set forth in the last sentence of this paragraph, so long as a default by the Bank under either of the Subordinated Guarantees or by the LLC under the LLC 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 LLC Preferred Securities, (1) to exercise the remedies available to it under the LLC Agreement as a holder of the LLC Preferred Securities, (2) to consent to any amendment, modification or termination of the LLC Agreement or the LLC Preferred Securities where such consent shall be required; *provided, however*, that, where a consent or action under the LLC Agreement would require the consent or act of the holders of more than a majority of the LLC Preferred Securities affected thereby, only the holders of the percentage of the aggregate liquidation amount of the Trust Securities which is at least equal to the percentage of the aggregate liquidation amount of the LLC Preferred Securities required under the LLC Agreement may direct the Property Trustee to give such consent or take such action on behalf of the Trust and (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 LLC Preferred Securities. See “Description of the LLC Securities—LLC 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 recognized 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 Trust Securities will continue to be treated as owning an undivided beneficial ownership interest in the LLC 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 matter upon which 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 LLC 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; *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 Bank, as the holder of all of 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 LLC Securities—LLC Preferred Securities—LLC 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 organized as such under the laws of any State of the United States; *provided, that*, (1) if the Trust is not the surviving entity, such 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 LLC expressly acknowledges a trustee of such successor entity possessing the same powers and duties as the Property Trustee as the holder of the LLC 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 organization 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 any 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 recognized 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 LLC (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 per cent. 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 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 the Trust Securities as of a specified date or (y) a restriction in the right of a holder of Trust Securities to institute a suit for the enforcement of any payment on the Trust Securities, then such amendment or proposal shall not be effective except with the 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 LLC 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 LLC to be required to register under the 1940 Act or (6) cause the Trust Preferred Securities to fail to qualify as consolidated 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 the 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 exchange 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 DEXIA Banque Internationale à 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; Certifications 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 of 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 has been obtained from sources that the Bank believes to be reliable. The Managers do not take any responsibility for the accuracy of the information. None of the Bank, the Trust, the LLC or the Managers 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 recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the Managers ("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 a 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. establishes policy 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 Managers (“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.

Securities clearance accounts and cash accounts with Euroclear 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. Euroclear Bank S.A./N.V. acts under its 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 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.

#### *Trading between Euroclear and/or Clearstream Luxembourg Participants*

Secondary market sales of book-entry interests in the Trust Preferred Securities held through Euroclear or Clearstream Luxembourg to purchasers of book-entry interests in the global securities through Euroclear or Clearstream Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear or Clearstream Luxembourg and will be settled using the conventional procedures applicable to Eurobonds.

Although the foregoing sets out the procedures of Euroclear and Clearstream Luxembourg in order to facilitate the transfers of interests in the Trust Preferred Securities among participants of Clearstream

Luxembourg and Euroclear, none of Euroclear and Clearstream Luxembourg is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Bank, the Trust, the LLC or the Managers or any affiliate of any of the above, or any person by whom any of the above is controlled for the purposes of the Securities Act, will have any responsibility for the performance by Euroclear, Clearstream Luxembourg or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described above.

So long as the global securities are held on behalf of Euroclear and Clearstream Luxembourg or any other clearing system (an “alternative clearing system”), notices to holders of Trust Preferred Securities represented by a beneficial interest in the global securities may be given by delivery of the relevant notice to Euroclear, Clearstream Luxembourg or the alternative clearing system, as the case may be, except that, so long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, notices will also be published 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 an English language newspaper having general circulation in Europe.

### **Information Concerning the Property Trustee**

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

### **Registrar, Transfer Agent and Paying Agents**

The Bank of New York will act as Registrar and The Bank of New York (London Branch) will act as Principal Paying Agent for the Trust Preferred Securities. The Trust has the right at any time to vary or terminate the appointment of any paying agents and to appoint additional or successor paying agents, *provided, however*, for so long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange, the Trust shall maintain a transfer agent and a paying agent in Luxembourg. DEXIA Banque Internationale à Luxembourg S.A. will act as Luxembourg transfer and paying agent. Registration of transfers of the Trust Preferred Securities will be effected without charge by or on behalf of the Trust, but upon payment (with the giving of such indemnity as the Trust may require) in respect of any tax or other governmental charges that may be imposed in relation to it. The Trust will not be required to register or cause to be registered the transfer of Trust Preferred Securities after such Trust Preferred Securities have been called for redemption.

### **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 LLC and the Trust has irrevocably submitted to the jurisdictions of the courts of England, and has appointed IntesaBci S.p.A., London Branch, at its principal office, from time to time, presently at 90 Queen Street, London EC4N 1SA, England, 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, USA, as its agent for service of process in New York. Further, the Bank, the LLC 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 authorized 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 be characterized as other than (x) a grantor trust or (y) a foreign trust for United States federal income tax purposes. In this connection, the Regular Trustees are authorized to take any action, not inconsistent with applicable law, the certificate of trust or the Trust Agreement that the Regular Trustees determine in their discretion to be necessary or desirable for such purposes as long as such action does not adversely affect the interests of the holders of the Trust Preferred Securities.

## DESCRIPTION OF THE LLC SECURITIES

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

### LLC Common Securities

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

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

### LLC Preferred Securities

#### *General*

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

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

#### *Dividends*

Dividends on the LLC Preferred Securities will be paid when, as and if declared (or deemed declared) by the Board of Directors of the LLC, out of assets of the LLC 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 LLC 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 LLC Preferred Securities will accrue and be payable on a noncumulative basis as follows: (i) Dividends will accrue at the Fixed Dividend Rate of 6.988 per cent. of the liquidation preference of €1,000 per LLC Preferred Security during each Dividend Period until the Dividend Period that begins on July 12, 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, Dividends will accrue at a Floating Dividend Rate of 2.6 per cent. above EURIBOR and will be payable, if declared or deemed declared, in arrear on the same dates as the quarterly Dividend Payment Dates of the Trust Preferred Securities, commencing July 12, 2011.

Dividends on the LLC Preferred Securities will be calculated on the same basis as Dividends on the Trust Preferred Securities. See “Description of the Trust Securities— Dividends.”

Dividends on the LLC Preferred Securities, if and to the extent declared or deemed declared, will be payable to the holders thereof as they appear on the securities register of the LLC on the relevant record dates, which will be the 15th day (whether or not a Business Day) prior to the relevant Dividend Payment Date.

The LLC is required to pay Dividends in full (“Mandatory Dividends”) on the LLC Preferred Securities on each Dividend Payment Date unless:

- (1) the Bank does not have, according to the unconsolidated annual accounts of the Bank relating to the financial year immediately preceding the financial year in which such Dividend Payment Date falls or, where such accounts are not available, the last set of annual unconsolidated accounts approved by the Bank, net profits (“Distributable Profits”) that would be available for the payment of a dividend or the making of a distribution on any class of its share capital, or the Bank has not declared or paid dividends on any class or series of its share capital based on the accounts used to calculate the relevant Distributable Profits;
- (2) the Bank is otherwise prohibited under applicable Italian banking laws or regulations from declaring a dividend or making a distribution on any class of its share capital; or
- (3) a Capital Deficiency Event (as defined herein) has occurred and is continuing or would result from the payment thereof;

*provided, that*, the LLC will be prohibited from paying Dividends for any Dividend Period upon the occurrence and during the continuation of a Capital Deficiency Event; *provided, however*, that notwithstanding the foregoing, if (A) dividends or other distributions have been declared or paid on Parity Securities or Junior Securities or (B) certain redemptions, repurchases or other acquisitions (other than those described in clause (1)(A) below) have been made by the Bank or any Subsidiary (as defined below), as the case may be, on or in respect of any Parity Securities or by the Bank on or in respect of any Junior Securities, the LLC will be required to declare and pay such Dividends on any Dividend Payment Date:

- (1) in full if:
  - (A) the Bank or any Subsidiary, as the case may be, has redeemed, repurchased or otherwise acquired a Parity Security or Junior Security for any consideration, or any monies are paid to or made available for a sinking fund or for redemption of any such securities (other than (I) as a result of a reclassification of the equity share capital of the Bank or such Subsidiary or the exchange or conversion of one class or series of such equity share capital for another class or series of such equity share capital, (II) 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, (III) in connection with a levy of execution for the satisfaction of a claim by the Bank or any Subsidiary and (IV) in connection with the satisfaction by the Bank or any Subsidiary of its obligation under any employee benefit plan or similar arrangement) during the 12-month period immediately preceding and including such Dividend Payment Date;
  - (B) the Bank has declared or paid a dividend or distribution or made any other payment with respect to a Junior Security that pays dividends or other distributions annually, if any, during the twelve month period immediately preceding and including such Dividend Payment Date;
  - (C) the Bank has declared or paid a dividend or distribution or made any other payment with respect to a Junior Security that pays dividends or other distributions semiannually, if any,



during the six month period immediately preceding and including such Dividend Payment Date; and

- (D) the Bank has declared or paid a dividend or distribution or made any other payment with respect to a Junior Security that pays dividends or other distributions on a basis other than annually or semiannually during the three month period immediately preceding and including such Dividend Payment Date; and

(2) *pro rata* if:

- (A) the Bank or any Subsidiary has declared or paid a dividend or distribution or made any other payment with respect to a Parity Security that pays dividends or other distributions on an annual basis during the 12-month period immediately preceding and including such Dividend Payment Date;
- (B) the Bank or any Subsidiary has declared or paid a dividend or distribution or made any other payment with respect to a Parity Security that pays dividends or other distributions on a semiannual basis during the six month period immediately preceding and including such Dividend Payment Date; and
- (C) the Bank or any Subsidiary has declared or paid a dividend or distribution or made any other payment with respect to a Parity Security that pays dividends or other distributions on a basis other than annually or semiannually during the three month period immediately preceding and including such Dividend Payment Date.

In the event that Dividends are deemed payable on any Dividend Payment Date pursuant to clause (2) above *pro rata* with dividends and other payments on any Parity Security, such Dividends shall be deemed payable in the same proportion that the declaration or payment on such Parity Security bears to the stated annual dividends or distributions to be declared and paid on such Parity Security. If such dividends or distributions are not stated on an annual basis (whether or not payable on an annual basis or otherwise), full Dividends on the LLC Preferred Securities for such Dividend Period will be deemed declared.

If for any reason any Mandatory Dividends are not declared on any Dividend Payment Date then, under the terms of the LLC Agreement, such Mandatory Dividends automatically will be deemed declared and authorized to be paid on such Dividend Payment Date in full.

“Parity Securities” means (1) any preferred shares, guarantee or similar instrument (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 Guarantees, but does not include any such securities or shares issued to the Bank by any such Subsidiary.

“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.

“Junior Securities” means all share capital of the Bank, including its preferred shares (“*Azioni Privilegiate*”), ordinary shares and savings shares (“*Azioni di Risparmio*”), now or hereafter issued, other than any share capital of the Bank that expressly or effectively rank on a parity with the Subordinated Guarantees or any Parity Security.



### *Payment of LLC Additional Amounts*

All payments in respect of the LLC Preferred Securities made by or on behalf of the LLC will be made without withholding or deduction for or on account of any Relevant Tax payable by or on behalf of the LLC, unless the withholding or deduction of such Relevant Tax is required by law. In that event, the LLC will pay, as further Dividends, such additional amounts (“LLC Additional Amounts”) as may be necessary in order that the net amounts received by the holders of the LLC Preferred Securities, after such withholding or deduction, will equal the amount which would have been received in respect of the LLC Preferred Securities in the absence of such withholding or deduction, except that no such LLC Additional Amounts will be payable to a holder of LLC Preferred Securities (or to a third party on the holder’s behalf) with respect to any LLC Preferred Securities to the extent that such Relevant Tax is imposed or levied by virtue of such holder (or the beneficial owner of such LLC Preferred Securities) or a holder of Trust Securities (1) having some connection with the Relevant Jurisdiction, other than being a holder (or beneficial owner) of such LLC Preferred Securities or Trust 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 LLC or its agent has provided the beneficial owner of such LLC Preferred Securities or Trust Securities or its nominee with at least 60 days’ prior written notice of an opportunity to make such a declaration or claim.

### *Voting Rights*

Except as described below, or as expressly required by applicable law, the LLC 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 LLC Additional Amounts in respect of such Mandatory Dividends have not been paid in full on the LLC Preferred Securities by the LLC or by the Bank under the LLC Subordinated Guarantee with respect to the LLC Preferred Securities, then the holders of outstanding LLC 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. Any Special Independent Director appointed as provided above shall vacate office if Dividends have been paid in full on the LLC Preferred Securities by the LLC or under the LLC Subordinated Guarantee by the Bank on each Dividend Payment Date for 12 consecutive months, and all other amounts due under the LLC Subordinated Guarantee have been paid. In addition, a majority in liquidation preference of the outstanding LLC 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 LLC Preferred Securities will be required for the LLC to redeem and cancel the LLC Preferred Securities in accordance with the LLC Agreement. See “—Redemption and Repurchase of LLC Preferred Securities.”

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

### *LLC Enforcement Events*

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

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

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

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

If the Independent Directors fail to enforce the LLC’s rights under the Subordinated Deposits or those of the holders of the LLC Preferred Securities under the LLC Subordinated Guarantee after a holder of the LLC 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 LLC under the Subordinated Deposits or against the Bank to enforce the rights of such holders under the LLC Subordinated Guarantee without first instituting any legal proceeding against the Independent Directors, the LLC or any other person or entity. In any event, if an LLC 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 LLC Preferred Securities may on behalf of the LLC directly institute a proceeding against such Eligible Borrower with respect to such Subordinated Deposit for enforcement of payment. In such circumstances, a holder of LLC Preferred Securities may also bring a direct action against the Bank to enforce such holder’s right under the LLC Subordinated Guarantee.

Notwithstanding the foregoing, under no circumstances shall the Independent Directors have authority to cause the Board to declare Dividends on the LLC 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 LLC’s creditors’ right to receive payments in respect of the Subordinated Deposits and the LLC Subordinated Guarantee, the LLC would be entitled to reinvest such payments in additional Subordinated Deposits, subject to satisfying certain reinvestment criteria described herein, rather than making distributions on the LLC 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 LLC or otherwise be deemed to be a member of the LLC and shall have no liability for the debts, obligations or liabilities of the LLC.

### *Independent Director Approval*

The LLC Agreement will provide that, for as long as any LLC 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 LLC Preferred Securities.

The LLC Agreement provides that, for so long as any LLC 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 LLC to enforce and otherwise act on behalf of the LLC with respect to the Subordinated Deposits and the LLC Subordinated Guarantee. The LLC Agreement provides that the Regular Independent Director will, to the fullest extent permitted by law, consider only the interests of the holders of LLC Preferred Securities in determining whether any proposed action requiring their approval is in the best interests of the LLC, *provided, that*, so long as the LLC 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 LLC Preferred Securities.

So long as any LLC Preferred Securities are outstanding, certain actions (the “Designated Actions”) by the LLC must be approved by a majority of the Independent Directors 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 LLC Common Securities other than in accordance with the LLC Agreement; (2) the conversion of the LLC into another type of entity or the consolidation or merger of the LLC into any other entity, the consolidation or merger of any other entity with or into the LLC or the sale of all or substantially all of the assets of the LLC other than in accordance with the LLC Agreement; (3) to the fullest extent permitted by law, any dissolution, liquidation, or winding-up of the LLC that is not concurrent with the dissolution, liquidation or winding-up of the Bank; (4) any amendment, modification, renewal or replacement of the LLC Preferred Securities, the LLC Subordinated Guarantee, the Subordinated Deposits or the Derivative Contracts (or any other security, contract obligation, agreement or instrument that is an asset of the LLC) which adversely affects the powers, preferences or special rights of the LLC Preferred Securities in any material respect; (5) the approval of the sale, transfer or other disposition by the Bank of the LLC 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 LLC or the Bank that could reasonably be expected to adversely affect the interests of the holders of the LLC Preferred Securities in any material respect.

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

In the event that there is only one Regular Independent Director, any action that requires the approval of a majority of Regular Independent Directors must be approved by such Regular Independent Director.

### **Redemption and Repurchase of LLC Preferred Securities**

#### *Optional Redemption*

The LLC Preferred Securities will be redeemable, at the option of the LLC, subject to the prior approval, if then required, of the Bank of Italy, in whole or in part, on July 12, 2011, or any Dividend Payment Date occurring thereafter upon not less than 30 nor more than 60 days’ notice to the holders of the LLC Preferred Securities (which notice shall be irrevocable), at the Regular Redemption Price.

### *LLC Special Events*

If an LLC Special Event (other than a Change in Law Tax Event) occurs, then the LLC Preferred Securities will be redeemable on any Dividend Payment Date, in whole but not in part, at the option of the LLC, subject to the prior approval, if then required, of the Bank of Italy, at the Regular Redemption Price if such redemption occurs on or after July 12, 2011, or at the Special Redemption Price if such redemption occurs prior to July 12, 2011. Upon the occurrence of a Change in Law Tax Event, the LLC Preferred Securities will be redeemable on any Dividend Payment Date, in whole but not in part, subject to the prior approval, if then required, of the Bank of Italy, at the Regular Redemption Price. Any such redemption shall be upon not less than 30 nor more than 60 days' notice to the holders of the LLC Preferred Securities. See "Description of the Trust Securities—Redemption."

### *Payment of Redemption Price*

In the event that payment of the applicable Redemption Price in respect of any LLC Preferred Security is improperly withheld or refused and not paid either by the LLC or by the Bank pursuant to the LLC Subordinated Guarantee, Dividends on such LLC Preferred Securities will continue to accumulate from the date fixed for redemption to the date of actual payment of such Redemption Price.

### *Repurchases*

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

### **Liquidation Distribution Upon Dissolution**

In the event of any voluntary or involuntary liquidation, dissolution, termination or winding-up of the LLC, holders of the LLC Preferred Securities at the time outstanding will, subject to the limitations described herein, be entitled to receive the liquidation preference of €1,000 per LLC Preferred Security, plus in each case, accumulated and unpaid Dividends for the then current Dividend Period to the date of the final distribution of assets of the LLC, in respect of each LLC Preferred Security out of the assets of the LLC available for distribution to shareholders after satisfaction of liabilities to creditors. Such entitlement will arise following the payment of the liquidation distribution to holders of the LLC Common Securities.

Upon liquidation, dissolution or winding-up of the LLC, the Property Trustee (as defined herein) shall enforce the LLC Subordinated Guarantee solely for the benefit of the Trust as sole holder of the LLC Preferred Securities.

The LLC Agreement will provide that, in the event of any voluntary or involuntary liquidation, dissolution, winding-up or termination of the Bank, the LLC shall be liquidated automatically, subject to prior approval of the Bank of Italy, if then required, *provided, however*, that the LLC shall, to the fullest extent permitted by law, not be dissolved until all claims under the Subordinated Guarantees shall have been paid to the fullest extent under the Subordinated Guarantees.

### **Merger, Consolidation, Conversion or Amalgamation of the LLC**

The LLC 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 LLC may, without the consent of the holders of the LLC Preferred

Securities, consolidate, amalgamate, convert or merge with or into, or be replaced by a limited partnership, limited liability company or trust organized as such under the laws of any state of the United States of America, *provided, that*, (1) such successor entity either (x) expressly assumes all of the obligations of the LLC under the LLC Preferred Securities or (y) substitutes for the LLC Preferred Securities other securities having substantially the same terms as the LLC Preferred Securities (the “LLC Successor Securities”) so long as the LLC Successor Securities are not junior to any equity securities of the successor entity, with respect to participation in the profits, distributions and assets of the successor entity, except that they may rank junior to the LLC Common Securities or any successor LLC Common Securities to the same extent that the LLC Preferred Securities rank junior to the LLC Common Securities; (2) each Eligible Borrower of the Subordinated Deposits then held by the LLC expressly acknowledges such successor entity as the holder of the Subordinated Deposits; (3) the LLC Preferred Securities or any LLC Successor Securities are listed or any LLC Successor Securities are listed upon notification of official issuance, on any international securities exchange or similar organization on which the LLC 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 LLC Preferred Securities (including any LLC Successor Securities)) to be downgraded by any nationally recognized statistical rating organization 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 LLC Preferred Securities are held by the Trust at the time, or LLC Preferred Securities (including any LLC Successor Securities) in any material respect; (6) such successor entity has a purpose substantially identical to that of the LLC; (7) prior to such consolidation, amalgamation, merger, conversion, replacement, conveyance, transfer or lease, the LLC has received an opinion of an independent nationally recognized 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 LLC 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, such successor entity will not be required to register as an “investment company” under the 1940 Act; and (D) such consolidation, amalgamation, merger, conversion, replacement, conveyance, transfer or lease will not adversely affect the limited liability of the holders of the LLC Preferred Securities; and (8) the Bank guarantees the obligations of such successor entity under any LLC Successor Securities at least to the extent provided by the LLC Subordinated Guarantee.

### **Book-Entry and Settlement**

If the LLC 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 LLC 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 LLC 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, see “Description of the Trust Preferred Securities—Form, Denomination and Transfer.” As of the date of this Offering Circular, 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 LLC Preferred Securities represented by one or more Global LLC Preferred Certificates.

**Registrar, Transfer Agent and Paying Agent**

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

**Governing Law; Submission to Jurisdiction**

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

In relation to any legal action or proceedings arising out of or in connection with the issuance of the LLC Preferred Securities, each of the Bank, the LLC and the Trust has irrevocably submitted to the jurisdictions of the courts of England, and has appointed IntesaBci S.p.A., London Branch at its principal office from time to time, presently 90 Queen Street, London EC4N 1SA, England, 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, USA, as its agent for service of process in New York.

Further, the Bank, the LLC and the Trust will agree to waive (i) any objection which it may have at any time to the laying of venue of the 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 authorized and directed to conduct the affairs of the LLC in such a way that (1) the LLC will not be deemed to be required to register under the 1940 Act and (2) the LLC will not be treated as an association or as a “publicly traded partnership” (within the meaning of Section 7704 of the Code) taxable as a corporation for United States federal income tax purposes. In this connection, the Board is authorized to take any action, not inconsistent with applicable law or the LLC 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 LLC Preferred Securities. Any amendment of the LLC Agreement relating to Dividends or the LLC Subordinated Guarantee will require consent of each holder of the LLC 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 LLC Preferred Securities, the LLC will enter into a credit derivative contract with the Bank under which, in exchange for an up-front fee in the amount of €7,000,000, the LLC will agree to make a Capital Deficiency Payment (as defined below) to the Bank upon the occurrence of a Capital Deficiency Event, without making any payment on the LLC Preferred Securities. The LLC is not obligated to make any other payment under the Initial Derivative Contract. The Initial Subordinated Deposit will secure the LLC's obligations under the Initial Derivative Contract.

Any credit derivative contract between the Bank and the LLC, including the Initial Derivative Contract, is referred to in this Offering Circular as a "Derivative Contract" and will constitute an unconditional, unsecured subordinated obligation of the LLC and will rank senior in right of payment to the LLC Securities.

### 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 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 *Strumenti Innovativi di Capitale*, as amended (currently 5.0 per cent.); 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, under the Derivative Contract the LLC will be obligated to pay to the Bank, 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, 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 LLC under the Derivative Contracts (the "Capital Deficiency Payment"). If the LLC fails to make a Capital Deficiency Payment in cash, under set-off arrangements between the Bank and the LLC set forth in the Subordinated Deposits, the obligation of the LLC to pay the Bank such 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 LLC by the amount of such Capital Deficiency Payment.

### Expiration and Termination

The Initial Derivative Contract will expire on July 12, 2021, although the Bank and the LLC will undertake 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 Derivative Contracts will be terminable at any time, by mutual consent, in whole or in part, by the Bank and the LLC, with the prior approval, if then required, of the Bank of Italy.

However, until July 12, 2011, the LLC and the Bank may only terminate a Derivative Contract (the "Subject Contract") by mutual consent if: (1) the LLC and the Bank enter into a new Derivative Contract that is issued and effective simultaneously with the expiration 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 LLC 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 LLC 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 LLC would be required to register as an investment company under the 1940 Act; (5) the LLC 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 LLC 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 LLC, without compliance with the conditions set out in (1) to (6) above, upon:

- the payment in full of the Redemption Price of all LLC Preferred Securities or purchase or cancellation of all LLC Preferred Securities; or
- the payment in full of the liquidation preference of €1,000 per LLC Preferred Security, plus any unpaid Dividends (to the extent declared or deemed declared) and any 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 July 12, 2021, the LLC will refund the pro rated portion of the Bank's up-front fee.

#### **Amendment**

The Derivative Contracts may be amended by the parties thereto without the consent of the holders of the Trust Preferred Securities or the LLC 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 Preferred Securities or the LLC Preferred 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 LLC has irrevocably submitted to the jurisdiction of the courts of England, and has appointed IntesaBci S.p.A., London Branch, at its principal office from time to time, presently at 90 Queen Street, London EC4N 1SA, England, 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, USA, as its agent for service of process in New York. Further, the Bank and the LLC 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 LLC 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 LLC Preferred Securities, respectively, the Subordinated Guarantee Payments to the extent set forth therein, as and when due, regardless of any defence, right of set-off or counterclaim which the LLC or the Trust may have or assert, other than the defence of payment. The Bank's obligations under the Subordinated Guarantees are several and independent of the obligations of the LLC with respect to the LLC 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 LLC 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 limitations set forth therein.

The Bank shall be liable as principal and debtor under the LLC Subordinated Guarantee to make the following Subordinated Guarantee Payments pursuant to the terms thereof (without duplication) with respect to the LLC Preferred Securities: (1) Dividends on the LLC Preferred Securities, to the extent declared (or deemed declared); (2) upon liquidation of the LLC, the liquidation preference of €1,000 per LLC Preferred Security; (3) the applicable Redemption Price with respect to any LLC Preferred Securities called for redemption by the LLC; and (4) LLC Additional Amounts, if any, by the LLC 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 LLC Subordinated Guarantee, subject to the limitations set forth therein.

Notwithstanding the restrictions on the declaration and payment of Dividends by the LLC, 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 so long as a Capital Deficiency Event has occurred and is continuing; *provided, further*, that, notwithstanding the foregoing, if (A) dividends or other distributions have been declared or paid or (B) certain redemptions, repurchases or other acquisitions have been made by the Bank or any Subsidiary, as the case may be, on or in respect of any Parity Securities or by the Bank on or in respect of any Junior Securities, the Bank will be required to make a Subordinated Guarantee Payment in respect of Mandatory Dividends on the LLC Preferred Securities at the times and in the amounts described in "Description of the LLC Securities—LLC Preferred Securities—Dividends."

If the LLC fails to make a Capital Deficiency Payment to the Bank in cash upon the occurrence of a Capital Deficiency Event, under the Subordinated Deposits, all or a portion of the Subordinated Deposits will be reduced as a result of a set-off in the amount of any Capital Deficiency Payment. Consequently, it is anticipated that a substantial portion of any claim of the holders of the LLC Preferred Securities after the occurrence of a Capital Deficiency Event will be required to be satisfied under the LLC Subordinated Guarantee.

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 LLC 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 LLC 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), *pari passu* with the most senior preferred shares of the Bank, if any, and each other and senior to all its share capital of the Bank, including its preferred shares, ordinary shares and savings shares, and the holders of the LLC 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 LLC 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 LLC 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 LLC 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 LLC 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 LLC 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 LLC 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 LLC 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 LLC 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 legal proceeding against the Property Trustee, the LLC, 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 LLC, 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 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 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 LLC Preferred Securities are given such rights and entitlements so that the Trust Preferred Securities and the LLC 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 LLC 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 Securities.

### *Maintenance of Ownership and Existence of the LLC and the Trust*

The Bank will agree under the Subordinated Guarantees that for so long as any Trust Preferred Securities or LLC Preferred Securities remain outstanding, 100 per cent. of the Trust Common Securities and the LLC Common Securities will be held by the Bank, another branch of the Bank or, with the consent of the Bank of Italy, if then required, a subsidiary of the Bank 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 LLC Preferred Securities are outstanding, the Bank will not permit, or take any action to cause, the liquidation, dissolution or winding-up of the LLC 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 of 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 “IntesaBci Preferred Securities Investor Trust” and “IntesaBci Preferred Capital Company LLC III Delaware” 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 Preferred Securities or purchase and cancellation of all Trust Preferred Securities, (2) if the Trust Preferred Securities are no longer outstanding but clause (1) is not satisfied, the payment of the applicable Redemption Price for all LLC Preferred Securities or purchase and cancellation of all LLC 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 (to the extent payable or deemed payable) 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 LLC Preferred Security for all LLC Preferred Securities plus any unpaid Dividends (to the extent declared or deemed declared) and any LLC 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 LLC 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 LLC 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 per cent. of the LLC Preferred Securities and not less than 66⅔ per cent. of the Trust Securities (excluding any LLC Preferred Securities and Trust Securities, as the case may be, held by the Bank or any of its affiliates, except that persons (other than affiliates of the Bank) to whom the Bank or any of its subsidiaries have pledged LLC 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 LLC 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 LLC 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 LLC 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 LLC 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 IntesaBci S.p.A., London Branch at its principal office from time to time, presently at 90 Queen Street, London EC4N 1SA, England, as its agent for service of process in England and CT Corporation, presently of 111 Eighth Avenue, 13th Floor, New York, NY 10011, USA, 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 LLC will use the proceeds from the issuance of the LLC Securities and the up-front 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 (as defined below)), swaps, derivative contracts or other securities which are identified as a permitted investment of a finance subsidiary pursuant to Rule 3a-5 under the 1940 Act at the time such security is acquired by the LLC.

The LLC will initially invest €500,000,000 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 LLC will occur contemporaneously with the issuance of the LLC Preferred Securities.

#### Initial Subordinated Deposit

##### *General*

Any subordinated deposit with an Eligible Borrower, including the Initial Subordinated Deposit, is referred to in this Offering Circular 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 those in respect of bonds, notes and debentures, whether senior or subordinated, and instruments constituting “Upper Tier 2” or “Lower Tier 2” capital) 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 and senior to all other capital of the Bank, including its preferred shares, savings shares and ordinary shares.

The Initial Subordinated Deposit will mature on July 12, 2021, *provided, however*, that if the Initial Derivative Contract is renewed or replaced, the LLC 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 LLC’s obligations under the Derivative Contracts. In the event that under a Derivative Contract the LLC is obligated to make a Capital Deficiency Payment to the Bank, if the LLC fails to make such Capital Deficiency Payment, such obligation will be satisfied by applying the amount of such Capital Deficiency Payment as a set-off against the Subordinated Deposits 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 6.85 per cent. of the principal amount thereof from the Issue Date to but excluding July 12, 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 LLC Preferred Securities and (ii) thereafter, interest will accrue at the annual rate of 2.46 per cent. above 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 LLC 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 per cent. 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 to 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 LLC may reinvest the proceeds from the repayment of a Subordinated Deposit only if (1) there would be no adverse tax consequences to the LLC or 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 LLC 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 LLC would be required to register as an investment company under the 1940 Act, (5) the LLC 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 LLC receives 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 the Republic of Italy.

## TAXATION

The following is a summary of the principal US Federal and Italian income tax consequences of the purchase, ownership and disposition of the Trust Preferred Securities. The US Federal income tax summary addresses only the tax consequences to a person 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”), nor does it address the tax consequences to persons that may be subject to special treatment under Italian or US 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 US dollar or the Italian lira, respectively. In addition, the summary does not address the US Federal or Italian income tax treatment of a Trust Preferred Securityholder on or after the occurrence of a Capital Deficiency Event. The US 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). 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 US 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 IntesaBci Preferred Securities Investor 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 qualification 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 (i) any difference between the redemption amount and the issue price and (ii) 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 per cent. 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 per cent. final substitute tax.
- (ii) Noncommercial entities, government entities and tax exempt organizations, in relation to which the same considerations as in (i) hereabove 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 per cent. 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 per cent. The individual beneficial owners may elect instead to pay ordinary personal income tax at the progressive rates applicable to them in respect of the payments; if so, the beneficial owners 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 21 November 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 per cent. final substitute tax.

Interest paid to Italian beneficial owners who are investment funds, SICAVs<sup>1</sup> 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 per cent. (11 per cent. in case of pension funds).

No “entrance” withholding tax is applicable to interest paid to resident corporate entities, commercial partnerships and 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.

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<sup>1</sup> SICAVs (“*société d’investissement à 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

### *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.
- (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 per cent. substitute tax or 11 per cent. in case of pension funds.
- (iii) Dividends paid to real estate investment funds are subject to a definitive 12.5 per cent. 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 per cent. final substitute tax.
- (iv) Dividends paid to entities exempt from corporate income tax are subject to a definitive 27 per cent. 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 per cent.
- (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 per cent. 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 to be levied, 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 of securities 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 per cent. final substitute tax.

### *Treatment as Atypical Securities<sup>2</sup>*

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.
- (ii) Payments made to individuals holding Trust Preferred Securities not in connection with entrepreneurial activities will be subject to a 27 per cent. 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 to be levied, 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 per cent. The individual beneficial owners may elect instead to pay ordinary personal income tax at the progressive rates applicable to them in respect of the payments; if so, the beneficial owners 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 per cent. 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 per cent. Italian tax rather than the 27 per cent. withholding tax.

### *EU Directive*

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 of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State,

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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 at maturity or in case of early redemption.

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 Guarantor under the Guarantee may be subject in certain circumstances to a final withholding tax at a rate of 12.5 per cent. 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 per cent. 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 holder of Trust Preferred Securities which is a non-resident of Italy, final withholding tax may be applied at a rate of 27 per cent. (if the payment is treated as dividend) or 12.5 per cent. (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 24 April 1992, final withholding tax should in any case apply at a rate of 27 per cent.

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 investment 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 per cent. (11 per cent. 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 per cent. 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 per cent. 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 per cent. 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 LLC Preferred Securities upon the Liquidation of the Trust*

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

For the LLC Preferred Securities received in exchange, the cost will be equal to the redemption value of Trust Preferred Securities.

#### *Early Redemption*

The early redemption of the securities may create a capital gain/capital loss computed considering the difference 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 by 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 ITL 140 and a minimum of ITL 9 per ITL 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 ITL 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 the value of inheritances attributable to each heir and on the value of gifts attributable to each donee up to ITL 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.

A project of law ordered to abolish Italian inheritance and gift tax is expected to be enacted in the near future.

### *Tax Monitoring Obligations*

Italian resident individuals 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 tax year, if exceeding in the aggregate ITL 20 million;
- (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 ITL 20 million. 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.

## **US Federal Income Tax Considerations**

### *Classification of the Trust and the LLC*

Under current law, and assuming compliance with the terms of the Trust Agreement, 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 LLC Preferred Securities and, as described below, will be required to include in its gross income its share of the LLC's income allocated to the LLC Preferred Securities. In purchasing the Trust Preferred Securities, each Trust Preferred Securityholder agrees with the Bank, the Trust and the LLC that such Trust Preferred Securityholder will treat itself as a holder of the Trust Preferred Securities (and an owner of an undivided interest in the LLC Preferred Securities) for all purposes, and not as a holder of an interest in the Bank or any other person, and will follow allocations made by the LLC pursuant to its LLC Agreement.

The LLC will be treated as a partnership for US Federal income tax purposes and therefore will not be treated as a taxable entity for such purposes.

### *Certain Non-US Holders*

In the following discussion the term “Non-US Holder” refers to a beneficial owner of Trust Preferred Securities who is not a US Holder. A “US 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 US 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 LLC intends to operate so that it will not be engaged in the conduct of a US trade or business for US Federal income tax purposes. A United States withholding agent will not be required to withhold 30 per cent. of amounts payable to a Non-US Holder, provided that the withholding agent receives a certification, signed under penalties of perjury, on Internal Revenue Service Form W-8, W-8BEN (or similar substitute form) that such Non-US Holder is not a United States person and providing its name and address. A Non-US Holder also will not be subject to US federal income tax on its allocable share of the LLC’s income unless the income is effectively connected with the conduct by the Non-US Holder of a trade or business in the United States.

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

### **Information Reporting and Backup Withholding**

Generally, income on the Trust Preferred Securities will be reported to holders on IRS Forms 1099, which forms should be mailed to holders of Trust Preferred Securities by January 31 following each calendar year.

Non-US Holders may be required to provide the certification described above to establish their non-US status in order to avoid the application of information reporting requirements and backup withholding tax. Generally, any amounts withheld as a result of backup withholding will be allowed as a credit against the United States federal income tax liability of the holder of Trust Preferred Securities, provided the required information is timely filed with the IRS.

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 STATE, LOCAL, FOREIGN, AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN UNITED STATES FEDERAL OR OTHER TAX LAWS.**

## SUBSCRIPTION AND SALE

Morgan Stanley & Co. International Limited and Caboto Holding Sim S.p.A. (each a “Manager” and together the “Managers”) pursuant to a Subscription Agreement dated July 11, 2001 (the “Subscription Agreement”), has agreed with the Trust, the LLC 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 €500,000,000 in the aggregate). The Subscription Agreement provides that each of the Trust, the LLC and the Bank will indemnify the Managers against certain liabilities. The Managers will receive a commission of €10 per Trust Preferred Security or €5,000,000 in total.

### Selling Restrictions

#### *General*

No action has been or will be taken in any jurisdiction by the Trust, the LLC, the Bank or the Managers that would, or is intended to, permit a public offering of the Trust Preferred Securities, or possession or distribution of this Offering Circular or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Offering Circular comes are required by the Trust, the LLC, the Bank and the Managers 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 Circular or any other offering material relating to the Trust Preferred Securities, in all cases at their own expense.

#### *United States Selling Restrictions*

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

The Managers have agreed that, except as permitted by the Subscription Agreement, they will not offer or sell the Trust Preferred Securities (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date, within the United States or to, or for the account or benefit of, US persons, and they will have sent to each dealer to which they sell Trust Preferred Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sale of the Trust Preferred Securities within the United States or to, or for the account or benefit of, US persons. Terms used in this paragraph have the meanings given to them by Regulation S.

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, whether or not such dealer is participating in the offering, may violate the registration requirements of the Securities Act.

#### *United Kingdom Selling Restrictions*

The Managers have represented and agreed that it (or any affiliate):

- has not offered or sold, and prior to or during 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;

- has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the Trust Preferred Securities in, from or otherwise involving the United Kingdom; and
- has only issued or passed on or will only issue or pass on in the United Kingdom any document received by it in connection with the issue of the Trust Preferred Securities 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 Circular or of any other document relating to the Trust Preferred Securities be distributed in the Republic of Italy, except:

- to professional investors (“*operatori qualificati*”), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of July 1, 1998 as amended;
- 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
- 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 Circular or any other document relating to the Trust Preferred Securities in the Republic of Italy under (i) or (ii) above must be:

- 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
- 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.

## 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 à 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. For listing purposes, the Luxembourg Stock Exchange will consider the Trust Preferred Securities as debt securities.

### 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 was authorized by the Trustees of the Trust on July 9, 2001. The issuance of the Subordinated Guarantees was authorized by the Bank on June 12, 2001.

### No Material Change

Except as otherwise disclosed in this Offering Circular, there has been no material adverse change in the financial position of the Bank and the Group since December 31, 2000.

There has been no material adverse change in the financial position of the Trust since its creation and formation on July 9, 2001.

There has been no material adverse change in the financial position of the LLC since its creation and formation on July 9, 2001.

### Litigation

Save as disclosed in this Offering Circular, neither the Group, the Trust or the LLC is involved in any legal 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 LLC is aware, is any such litigation or arbitration pending or threatened.

### Available Documents

So long as the Trust Preferred Securities and the LLC 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 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 LLC.

For so long as the Trust Preferred Securities and the LLC 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 Bank, the LLC, the Trust, 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 LLC Agreement;
- the Trust Agreement and Certificate of Trust of the Trust;
- the Subordinated Guarantees;
- the Services Agreement;
- the Agency Agreement; and
- Initial Derivative Contract.

### **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 XS0131944323 and the Common Code is 013194432

### **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 by 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.

**PRINCIPAL EXECUTIVE OFFICE OF THE TRUST**

Two Wall Street, 7th Floor  
New York, New York 10005  
USA

**REGISTERED OFFICE OF THE LLC**

One Rodney Square, 10th Floor  
Tenth and King Streets  
Wilmington, New Castle County  
Delaware 19801  
USA

**REGISTERED OFFICE OF THE BANK**

Piazza P. Ferrari, 10  
20121 Milan  
Italy

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

*As to Delaware law:*

Richards, Layton & Finger, P.A.  
One Rodney Square  
P.O. Box 551  
Wilmington, Delaware 19899  
USA

*As to Italian law:*

Pedersoli Lombardi e Associati  
Via Gesù, 2/a  
20121 Milan  
Italy

**LEGAL ADVISORS TO THE MANAGERS**

*As to US federal, New York and English law:*

Sidley Austin Brown & Wood  
Princes Court  
7 Princes Street  
London EC2R 8AQ  
United Kingdom

*As to Italian tax law:*

Vitali Romagnoli Piccardi e Associati  
Via Crocefisso, 12  
20122 Milan  
Italy

*As to Italian law:*

Grimaldi Clifford Chance  
Via Clerici, 7  
20121 Milan  
Italy

**AUDITORS**

Reconta Ernst & Young  
Via Torino, 68  
Milan 20123  
Italy

**PRINCIPAL PAYING AGENT AND  
CALCULATION AGENT**

The Bank of New York  
46 Berkeley Street  
London W1X 6AA  
United Kingdom

**REGISTRAR AND PROPERTY TRUSTEE**

The Bank of New York  
101 Barclay Street  
New York, New York 10286  
USA

**LUXEMBOURG LISTING TRANSFER AND PAYING AGENT**

DEXIA Banque Internationale à Luxembourg S.A.  
69, Route d'Esch  
L-2953 Luxembourg  
Luxembourg



