



Banca Popolare di Lodi Investor Trust III

500,000 Non-cumulative Guaranteed Fixed/Floating Rate Perpetual Trust Preferred Securities

(liquidation preference €1,000 per Trust Preferred Security)

representing a corresponding amount of

Non-cumulative Guaranteed Fixed/Floating Rate Perpetual LLC Preferred Securities of

Banca Popolare di Lodi Capital Company III LLC

guaranteed on a subordinated basis by

Banca Popolare Italiana S.c.a r.l.

Each non-cumulative guaranteed fixed/floating rate perpetual trust preferred security (a “Trust Preferred Security”, and collectively, the “Trust Preferred Securities”) issued by Banca Popolare di Lodi Investor Trust III (the “Trust”) represents an undivided beneficial ownership interest in the assets of the Trust. The Trust Preferred Securities will be perpetual, will be denominated in euro and will have a fixed rate of cash distributions of 6.742 per cent. per annum of the liquidation preference until June 30, 2015. After June 30, 2015, the Trust Preferred Securities will have a floating rate of cash distributions equal to 5.25 per cent. per annum above the Euro Interbank Offered Rate for three-month euro deposits on the liquidation preference as described in this Offering Circular. The assets of the Trust will consist of a corresponding amount of non-cumulative guaranteed fixed/floating rate perpetual preferred limited liability company interests (the “LLC Preferred Securities” and, together with the Trust Preferred Securities, the “Preferred Securities”) in Banca Popolare di Lodi Capital Company III LLC (the “LLC”).

Dividends and redemption and liquidation payments paid by the LLC on the LLC Preferred Securities will be used by the Trust to make cash distributions on the Trust Preferred Securities.

Banca Popolare Italiana S.c.a r.l., formerly called “Banca Popolare di Lodi S.c.a r.l.”, (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). Except as otherwise provided in this Offering Circular, the LLC will directly own all of the common securities of the Trust, and the Bank will directly own all of the common securities of the LLC.

See “Investment Considerations” beginning on page 30 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.

The Preferred Securities are expected to be assigned on issue a rating of BBB- by Fitch Ratings Limited (“Fitch”) and Baa3 (under review for possible downgrade) by Moody’s Investors Service Limited (“Moody’s”). The Bank was placed on negative credit watch by Fitch on April 29, 2005 and placed on review for possible downgrade by Moody’s on May 13, 2005. Investors should be aware that the ratings on the Preferred Securities are subject to change. See “Investment Considerations—Ratings” and “The Bank and the BPI Group—Recent Developments” for a discussion of certain risks that could have a material adverse effect on the ratings of the Preferred Securities and the Bank.

None of the Preferred Securities or the Subordinated Guarantees (as defined below) have been or will be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), or any U.S. state securities laws. The Preferred Securities may not be offered or sold within the United States or to, or for the account of, U.S. persons (as defined in Regulation S under the Securities Act (“Regulation S”)), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. 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 jurisdictions where those offers and sales occur. See “Subscription and Sale.”

The Trust Preferred Securities will be represented on issue by a single global certificate in registered form (the “Global Certificate”). The Global Certificate will be registered in the name of a nominee for, and will be deposited with, a common depositary for Euroclear Banking S.A./N.V. as operator of the Euroclear system (“Euroclear”) and Clearstream Banking, *société anonyme* (“Clearstream, Luxembourg”) on or around June 30, 2005.

Joint Bookrunner,
Lead Manager and Structuring Adviser

Joint Bookrunner and
Lead Manager
**DRESDNER KLEINWORT
WASSERSTEIN**

BNP PARIBAS

Joint Bookrunner and
Lead Manager
**THE ROYAL BANK
OF SCOTLAND**

June 29, 2005

This Offering Circular shall not constitute an offer or an invitation to subscribe for or purchase any Trust Preferred Securities and should not be considered as a recommendation by the Bank, the Trust, the LLC or the Lead Managers or any of them that any recipient of this Offering Circular should subscribe for or purchase any Trust Preferred Securities. Each recipient of this Offering Circular shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Bank, the Trust and the LLC. In making an investment decision, prospective investors must rely on their own examination of the Bank, the Trust, 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 prospective 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 Offering Circular 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 any of the Lead Managers (as defined under “Certain Defined Terms”). Neither the delivery of this Offering Circular 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 or that the information contained herein is correct as of any time after its date.

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 in any material respect in the context of the issue and offering of the Trust Preferred Securities. 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 and may not be used for the purpose of an offer to sell or the solicitation of an offer to buy 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 Lead 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 Securities Act and may not be offered or sold within the United States or to, or for the account of, U.S. persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. 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 U.S. person (as defined in Regulation S).

The offering of the Trust Preferred Securities has not been submitted to the clearance procedure of the *Commissione Nazionale per la Società e la Borsa* (“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.

IN CONNECTION WITH THIS OFFERING, BNP PARIBAS, AS STABILIZING MANAGER (THE “STABILIZING MANAGER”) (OR ANY PERSON ACTING FOR THE STABILIZING MANAGER) MAY OVER-ALLOT OR EFFECT TRANSACTIONS (PROVIDED THAT THE AGGREGATE PRINCIPAL AMOUNT OF THE TRUST PREFERRED SECURITIES ALLOTTED DOES NOT EXCEED 105 PER CENT. OF THEIR AGGREGATE PRINCIPAL AMOUNT) OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE TRUST PREFERRED SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, IN DOING SO, THE STABILIZING MANAGER (OR ANY AGENT OF THE STABILIZING MANAGER) SHALL ACT AS PRINCIPAL AND NOT AS AGENT OF THE ISSUER, THE LLC OR THE BANK. FURTHERMORE, THERE IS NO OBLIGATION ON THE STABILIZING MANAGER (OR ANY PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) TO UNDERTAKE STABILIZATION ACTION. SUCH STABILIZING, IF COMMENCED, MAY BE ENDED AT ANY TIME AND MUST END NO LATER THAN THE EARLIER OF (I) 30 DAYS AFTER THE ISSUE DATE OF THE TRUST PREFERRED SECURITIES AND (II) 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE TRUST PREFERRED SECURITIES. SUCH STABILIZING SHALL BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES. ANY LOSS OR PROFIT SUSTAINED AS A CONSEQUENCE OF ANY SUCH OVER ALLOTMENT OR STABILIZING SHALL BE FOR THE ACCOUNT OF THE STABILIZING MANAGER. THE STABILIZING MANAGER ACKNOWLEDGES THAT THE ISSUER HAS NOT AUTHORIZED THE CREATION AND ISSUE OF IN EXCESS OF 500,000 TRUST PREFERRED SECURITIES.

CERTAIN DEFINED TERMS

In this Offering Circular and unless otherwise specified, references to the “Bank” are to Banca Popolare Italiana S.c.a r.l., and references to the “BPI Group” are to the Bank and its subsidiaries; references to “Banca Popolare di Lodi S.c.a r.l.” and to the “BPL Group” in “Financial Statements and Auditors’ Reports” are to the Bank and to the BPI Group prior to the change of the Bank’s name, effective June 27, 2005; references to “Italy” are to the Republic of Italy; references to laws and regulations are to the laws and regulations as amended and supplemented from time to time; references to “EU” are to the European Union; references to “€” or “euro” are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community; references to “billions” are to thousands of millions; and references to the “Lead Managers” are to BNP Paribas (“BNP Paribas”), Dresdner Bank AG London Branch (“Dresdner Kleinwort Wasserstein”), and The Royal Bank of Scotland plc (“The Royal Bank of Scotland”).

FORWARD-LOOKING STATEMENTS

Certain sections of this Offering Circular, including, among others, “Investment Considerations”, “Summary” and “The Bank and the BPI Group” contain various forward-looking statements which represent management’s expectations or beliefs concerning future events and are subject to known and unknown risks and uncertainties. Forward-looking statements can be identified by, among other things, the use of forward-looking terminology such as “believes”, “estimates”, “expects”, “may”, “should”, “seeks”, “anticipates” or “intends” or other similar expressions or by discussions of strategy or intentions. A number of factors, including the investment considerations noted under “Investment Considerations” and other risks and uncertainties noted throughout the Offering Circular, could cause actual results, performance or events to be materially different from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, the following: the competitive environment in the business of the Bank and BPI Group in general and in the BPI Group’s specific market segments; changes in or failure to comply with applicable regulations; economic conditions in general and in the BPI Group’s specific market segments; changes in operating strategy or development plans and other factors referenced herein including under the heading “Investment Considerations”. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. The BPI Group does not have any obligation to release publicly any revisions to any forward-looking statement to reflect events, circumstances or unanticipated events occurring after the date of this Offering Circular.

INCORPORATION BY REFERENCE

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

- (i) the audited consolidated annual financial statements of the Bank as at and for the years ended December 31, 2003 and 2004;
- (ii) the audited non-consolidated annual financial statements of the Bank as at and for the years ended December 31, 2003 and 2004; and
- (iii) the unaudited consolidated interim financial statements of the Bank as at and for the three months ended March 31, 2005.

A copy of any or all of the documents incorporated herein by reference will be available free of charge from the principal office in Luxembourg of Dexia Banque Internationale à Luxembourg S.A., at 69, Route d'Esch, L-2953 Luxembourg, Grand Duchy of Luxembourg (the "Luxembourg Listing Agent") so long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange. (See "General Listing Information – Notices").

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The financial information contained in this Offering Circular is provided in accordance with the financial information disclosure requirements currently in force in Italy as established by CONSOB, Italian law and the rules of the *Consiglio Nazionale dei Dottori Commercialisti* and the *Consiglio Nazionale dei Ragionieri*, the Italian accounting professional bodies. There can be no assurance that such disclosure requirements and accounting rules are equivalent to, or sufficient for the purposes of, those currently in force in other jurisdictions, or that the application of the financial information disclosure requirements and accounting rules of other jurisdictions to the BPI Group would not have resulted in the disclosure of financial information or data materially different from that contained in this Offering Circular.

Unless otherwise indicated, financial data is presented in euro. For the convenience of the reader in this Offering Circular, most financial data has been rounded. As a result of this rounding, the totals of the data presented herein may vary slightly from the actual arithmetic totals of such data. In the tables herein, a dash (“ – ”) represents no value while the numbers “0”, “0.0” or “0.00” (or “(0),” “(0.0)”) represent rounded amounts. Additionally, percentage figures that would otherwise be derived by dividing by zero have also been represented by a dash.

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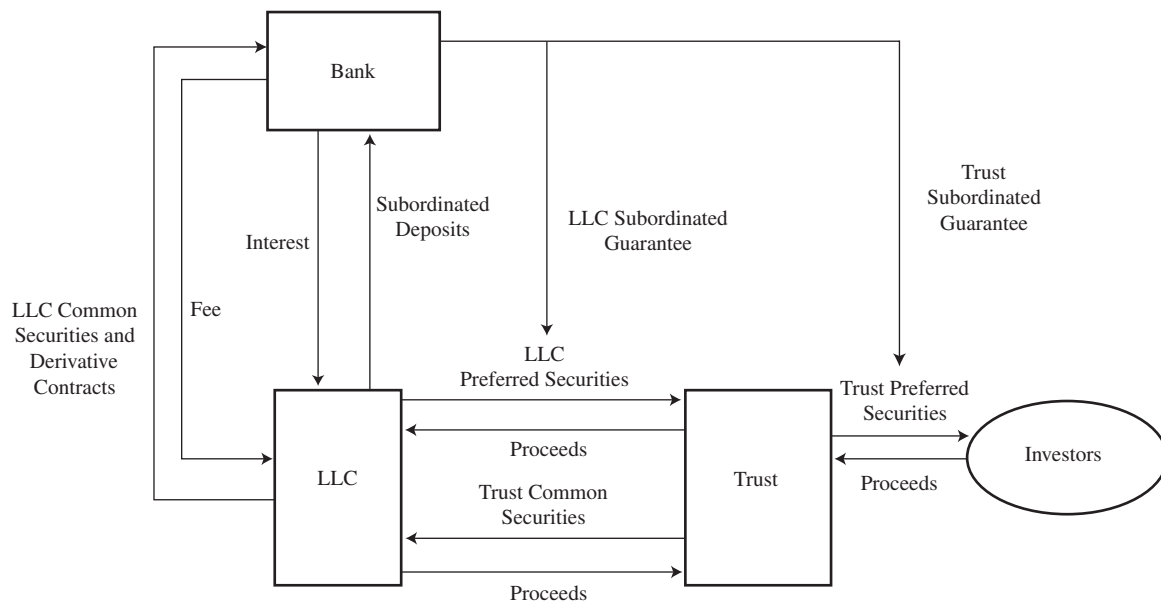
SUMMARY

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 any 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

Explanatory Diagram

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:



General

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 non-cumulative 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 (as defined below and which term includes the Initial Subordinated Deposit (as defined below) and any renewals and replacements thereof, if any) 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 (as defined below), 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, respectively.

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

The LLC will initially own all of the Trust Common Securities and the Bank will initially own all of the LLC common securities (the “LLC Common Securities”, and together with the LLC Preferred Securities, the “LLC securities”).

Capital Treatment

The LLC Preferred Securities are expected to qualify as consolidated Tier I capital of the Bank and the Subordinated Deposits are expected to qualify as stand-alone Tier I capital of the Bank under the relevant regulatory capital guidelines of the Bank of Italy.

The Bank and the BPI Group

The Bank is the parent company of the BPI Group and is registered on the Register of Italian Banking Institutions. The BPI Group has a leading banking presence in Italy with significant operations in several Italian regions. Headquartered in via Polenghi Lombardo 13, in Lodi (Lombardy), the BPI Group has traditionally operated in the region of Lombardy and, since 1995, has expanded its operations to most regions of Italy, including Tuscany, Sicily, Liguria and Abruzzo.

As at December 31, 2004, the BPI Group operated through its 970 branches in 17 Italian regions with a network of 1,236 financial consultants (*promotori finanziari*). The BPI Group is also active in Switzerland, through its subsidiary Bipielle Bank (Suisse) S.A., and in the United Kingdom, through the Bank's London branch.

The BPI Group's business is composed predominantly of the provision of commercial banking products and services. To complement its traditional banking activities, the BPI Group has, over the past several years, expanded the financial products and services it offers to its customers through various fee-generating activities. These activities include retail banking, investment banking, consumer lending, asset management, inter-bank payment systems management and real estate services. Individuals, personal businesses and small to medium-sized businesses constitute the core of the BPI Group's customer base.

As at December 31, 2004, the Bank was the third largest co-operative banking group in Italy in terms of consolidated total assets (approximately €43,285 million) based on data from the *Associazione delle Banche Popolari Italiane* (the Association of Italian Co-operative Banks). As at December 31, 2004, the Bank's consolidated total net operating revenues were approximately €1,769.1 million, a 16.1 per cent. increase from approximately €1,523.3 million in 2003.

The table below sets out the BPI Group's consolidated total assets, shareholders' equity and number of branches of the BPI Group as at December 31, 2003 and 2004.

	As at December 31,	
	2003	2004
	<i>(millions of euro)</i>	
Total assets.....	44,070	43,285
Shareholders' equity	2,774	2,729
Branches	935	970

The BPI Group's banking business consists of commercial banking, treasury activities, securities dealing, brokerage activities, asset management, leasing and consumer lending. Through its subsidiary Efibanca S.p.A. (“Efibanca”), the BPI Group is also active in medium- and long-term lending and merchant banking activities.

The table below sets out the contribution of each business activity to the Bank's total consolidated operating revenues for the years ended December 31, 2003 and 2004:

	Year ended December 31,	
	2003	2004
	<i>(thousands of euro)</i>	
Commercial banking ⁽¹⁾	1,233,487	1,389,600
Treasury, securities dealings, brokerage activities ⁽²⁾	84,826	156,624
Asset management ⁽³⁾ and bancassurance ⁽⁴⁾	106,954	127,698
Leasing ⁽⁵⁾	17,208	16,145
Consumer lending activities	66,086	66,172
Merchant banking	14,766	12,874
Total net operating revenues	1,523,327	1,769,113

⁽¹⁾ Includes net interest income, commissions from credit services, tax credits, payment and collection services and other charges.

⁽²⁾ Includes net operating profits from financial transactions, dividends, commission for brokerage services and consulting.

⁽³⁾ Includes commission from asset management services and custody.

⁽⁴⁾ Includes mutual fund management.

⁽⁵⁾ Includes net profits from leasing activities.

As at December 31, 2004, the Bank's consolidated total net operating revenues were approximately €1,769.1 million, a 16.1 per cent. increase from approximately €1,523.3 million in 2003.

Banca Popolare di Lodi Investor Trust III

The Trust is a Delaware statutory 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;
- perform all of its obligations and enforce all of its rights pursuant to the Trust Preferred Securities and the Trust Agreement; 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 c/o Deutsche Bank Trust Company Delaware, 1011 Centre Road, Suite 200, Wilmington, Delaware 19805, USA.

Banca Popolare di Lodi Capital Company III LLC

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;
- perform all of its obligations and enforce all of its rights pursuant to the LLC Preferred Securities, the LLC Agreement (as defined below) and the Derivative Contracts;
- 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 Subordinated Deposits, 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 will 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) 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 U.S. 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 an additional director in the limited circumstances described in this Offering Circular.

The principal executive office of the LLC is located at c/o Deutsche International Corporate Services (Delaware) LLC, 1011 Centre Road, Suite 200, Wilmington, Delaware 19805, 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 assets of the Trust will consist of a corresponding amount of LLC Preferred Securities. The Trust Preferred Securities will have terms substantially identical to the terms of the LLC Preferred Securities.

Issue Date

On or about June 30, 2005 (the “Issue Date”).

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 or paid by the Bank to the Trust under the LLC Subordinated Guarantees (as defined below) 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: (i) payments received by the Trust from the LLC or the Bank under the LLC Subordinated Guarantee with respect to the LLC Preferred Securities; or (ii) amounts received from the Bank under the Trust Subordinated Guarantee (as defined below) or otherwise.

Dividends on the LLC Preferred Securities will accrue on a non-cumulative basis at a fixed rate per annum (the “Fixed Dividend Rate”) of 6.742 per cent. of the liquidation preference of €1,000 per LLC Preferred Security during each Dividend Period until the Dividend Period that begins on June 30, 2015 (the “Dividend Reset Date”), and during each Dividend Period thereafter at a floating rate per annum (each a “Floating Dividend Rate”) of 5.25 per cent. 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 June 30 of each year commencing June 30, 2006 to and including June 30, 2015, and thereafter quarterly in arrear on each March 30, June 30, September 30 and December 30 commencing September 30, 2015 (each a “Dividend Payment Date”).

Prior to the Dividend Period that begins on June 30, 2015, 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 June 30, 2005, with respect to the Dividend payable on June 30, 2006) to but excluding the relevant Dividend Payment Date or Redemption Date, as the case may be (each such period, a “Dividend Period”).

With respect to each Dividend Period commencing with the Dividend Period that begins on June 30, 2015, 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 June 30, 2015 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 June 30, 2015 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 non-consolidated annual accounts of the Bank relating to the financial year immediately preceding the financial year in which the relevant Dividend Payment Date falls or, where such accounts are not available, the last set of annual non-consolidated 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 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 will be automatically 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 in respect of any Dividend Period 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 preference 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 or any other Subsidiary 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 preference 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, respectively, 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. To the extent any amount is 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 any amount is 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, pursuant to the Derivative Contracts (as defined below), 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 and the Derivative Contracts as further described below. 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.

Ranking of Subordinated Guarantees

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 preference shares of the Bank, if any, and senior to the share

capital of the Bank, including its other preference 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 €8,750,000, which the LLC will invest in Eligible Investments. If the Initial Derivative Contract is terminated before June 30, 2025 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 June 30, 2025, 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 in case optional redemption of the LLC Preferred Securities does not take place. The Derivative Contract can only be terminated by the mutual consent of the Bank and the LLC, with the prior approval, if then required, of the Bank of Italy in the event of redemption of the LLC Preferred Securities.

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 semi-annual consolidated or stand-alone accounts or (B) determined by the Bank of Italy and communicated to the Bank, in either case, falls below the then minimum requirements of the Bank of Italy specified in its February 2000 regulations or such other applicable regulation governing *Strumenti Innovativi di Capitale*, as from time to time amended; 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, 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 guarantee ranking *pari passu* with the Subordinated Guarantees, 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

The Trust Preferred Securities. All payments in respect of the Trust Preferred Securities 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 United States, the Republic of Italy (each, a “Relevant Jurisdiction”) or any authority therein or thereof having power to tax (collectively, “Relevant Tax”) payable by or on behalf of the Trust, unless the withholding or deduction of such Relevant Tax is required by law. In that event, the Trust will pay such additional amounts (“Additional Amounts”) as may be necessary in order that the net amounts received by the holders of the Trust Preferred 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 Preferred Securities in the absence of such withholding or deduction, except that no such Additional Amounts will be payable to a holder of Trust Preferred Securities (or a third party on any such holder’s behalf) with respect to any Trust Preferred Securities to the extent that such Relevant Tax is imposed or levied by virtue of such holder (or the beneficial owner of such Trust Preferred Securities): (1) having some connection with the Relevant Jurisdiction, other than being a holder (or beneficial owner) of such Trust Preferred Securities; or (2) not having made a declaration of non-residence in, or other lack of connection with, the Relevant Jurisdiction or any similar claim for exemption, if the Trust or the LLC or either of their agents has provided the beneficial owner of such Trust Preferred Securities or its nominee with at least 60 days’ prior written notice of an opportunity to make such a declaration or claim.

The LLC Preferred Securities. 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 LLC Preferred Securities and/or the Trust Preferred Securities, after withholding for any Relevant Tax payable by or on behalf of the LLC or the Trust, respectively in relation to every payment in respect of the LLC Preferred Securities or the Trust

Preferred Securities, will not be less than the amount otherwise required to be paid, subject to certain exceptions described herein.

The Subordinated Guarantees. 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.

The Subordinated Deposits. 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 June 30, 2015, 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 June 30, 2015 (a “Regular Redemption Date”), or at the Special Redemption Price (as defined below) on any Dividend Payment Date if such redemption occurs prior to June 30, 2015 (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 with the moneys received as Redemption Price (as defined below) a number of Trust Preferred 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 Preferred 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 accrued 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, *provided*, that, for the avoidance of doubt, the Regular Redemption Price will not include Dividends that have not been

declared (nor deemed declared) in full or in part in respect of any Dividend Period on the LLC Preferred Securities.

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 accrued 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, *provided*, that, for the avoidance of doubt, the Special Redemption Price will not include Dividends that have not been declared (nor deemed declared) in full or in part in respect of any Dividend Period on the LLC Preferred Securities.

“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 non-cumulative Dividend payments per LLC Preferred Security from the Special Redemption Date to the Dividend Payment Date on June 30, 2015, 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 0.50 per cent.

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 that the Bank is notified by the Bank of Italy to the effect that the LLC Preferred Securities may not be included in the consolidated, or the Subordinated Deposits in the stand-alone, Tier I 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 advisers 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 change is announced, on or after the date of original issuance of the Trust Preferred Securities and the LLC Preferred Securities or the Derivative Contract, 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, the LLC or the Bank under the Subordinated Guarantees, as the case may be, would be unable to make such payment without having to pay Additional Amounts or LLC Additional Amounts or the Guarantor Additional Amounts, as the case may be; (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 Bank, the related Eligible Borrower, the Trust or the LLC taking reasonable measures which: (x) do not require the Bank, 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 to the related Eligible Borrower, as determined in the Bank's discretion.

An "Interpretation Tax Event" means the receipt by the Bank of an opinion of a nationally recognized law firm or other tax advisers 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 the 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 hitherto 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, the LLC Preferred Securities or the Derivative Contract, 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, the LLC or the Bank under the Subordinated Guarantees, as the case may be, would be unable to make such payment without having to pay Additional Amounts, LLC Additional Amounts or Guarantor Additional Amounts, as the case may be; (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 Bank, the related Eligible Borrower, the Trust or the LLC taking reasonable measures which: (x) do not require the Bank, 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 to 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 advisers, as appropriate, in the Relevant Jurisdiction in which an Eligible Borrower under a Subordinated Deposit is located and experienced in such matters, to the effect that, as a result of: (1) 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 making of such Subordinated Deposit; or (2) 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 (3) 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 (4) any clarification of, or change in the official position or the interpretation or pronouncement of such Administrative Action or any interpretation or pronouncement that provides for a position with respect to such Administrative Action that differs from the hitherto 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 making of such Subordinated Deposit, 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 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 to the related Eligible Borrower, as determined in the Bank's discretion.

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 Subsidiaries 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 Preferred 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, *provided*, that, for the avoidance of doubt, holders of the LLC Preferred Securities will not be entitled to receive Dividends that have not been declared (nor deemed declared) in full or in part on the LLC Preferred Securities.

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 who 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 “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 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 (as defined below)) 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 defined below) as the holder of the LLC Preferred Securities as directed by the holders of a majority of the outstanding Trust 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. 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 €1,000,000.

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 are entitled to elect one additional member to the Board who 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 legal proceedings 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 proceedings 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 Deposits against the applicable Eligible Borrower after a holder of the LLC Preferred Securities has made a written request, such holder may directly institute legal proceedings against such Eligible Borrower to enforce the LLC's rights under such Subordinated Deposits 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 per cent. 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 unsecured obligations of the Bank and will rank subordinate and junior to indebtedness of the Bank (including bonds, notes and debentures, whether senior or subordinated, and instruments constituting "Upper Tier II" or "Lower Tier II" capital of the Bank, excluding any instrument or contractual right effectively ranking *pari passu* with the Subordinated Deposits), *pari passu* with the most senior preference shares of the Bank, if any, the subordinated guarantees issued by the Bank to secure the obligations arising from the Banca Popolare di Lodi Investor Trust €25,000,000 Floating Rate Non-cumulative Preferred Trust Certificates issued by Banca Popolare di Lodi Investor Trust and the €75,000,000 Floating Rate Non-cumulative Preferred Trust Certificates issued by

Banca Popolare di Lodi Investor Trust II and each other and senior to the share capital of the Bank, including preference shares, ordinary shares and savings shares and any other instruments issued by the Bank and expressed to rank *pari passu* with the share capital of the Bank.

Interest on the Initial Subordinated Deposit will accrue and be payable as follows: (1) interest will accrue to but excluding June 30, 2015, at the annual rate of 6.617 per cent. 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 5.125 per cent. above EURIBOR for three-month deposits 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 June 30, 2025; *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 Subordinated Deposits cannot be redeemed as long as the Initial Derivative Contract, or any subsequent Derivative Contract, is in force.

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, the Bank or any Eligible Borrower 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 approving such reinvestment and that the LLC Preferred Securities would continue to qualify as Tier I capital of the Bank on a consolidated 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 continue to be classified as a grantor trust, in each case, for U.S. 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 Deutsche International Corporate Services (Delaware) LLC (the “Service Provider”) on or about June 30, 2005. Under the Services Agreement, the Service Provider will be obligated, among other things, to provide legal, accounting, tax and other general support services, to maintain compliance with all pertinent U.S. 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 except that the subordination provisions in the Subordinated Guarantees will be governed by the laws of the Republic of Italy. 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 Citibank, N.A., 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-U.S. beneficial ownership in the manner required by Regulation S. No payment will be made in respect of any beneficial interest in the Temporary Global Security after the Exchange Date. Beneficial interests in any Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg and their respective participants. See “Description of the Trust Securities—Form, Denomination and Transfer.”

Certain Covenants of the Bank

The Bank will agree, *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 (as defined below) observes 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 the Bank’s 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 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 (6), 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 and to consolidate capital ratios.

U.S. 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 U.S. 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 on issue a rating of BBB- by Fitch and Baa3 (under review for possible downgrade) by Moody’s. See, “Investment Considerations – Ratings.”

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organization.

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: 022345451.

ISIN: XS0223454512.

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.

Investment Considerations Relating to the BPI Group

Risks Associated with the Proposed Acquisition of the Banca AntonVeneta Group

As further described herein, the Bank has announced its intention to launch a public exchange tender offer in Italy (the “Exchange Offer”), and, concurrently, a compulsory public purchase tender offer (the “Purchase Offer” and, together with the Exchange Offer, the “Offers”) for cash for all of the outstanding share capital of Banca Antoniana Popolare Veneta S.p.A. (“Banca AntonVeneta”) not currently owned by it. Banca AntonVeneta and its consolidated subsidiaries (the “Banca AntonVeneta Group”) are a leading banking group in north-east Italy, with substantial operations in most Italian regions (See “The Bank and the BPI Group – Recent Events – Proposed Acquisition of the Banca AntonVeneta Group”). If the Offers are successful and BPI acquires the Banca AntonVeneta Group, the BPI Group will have approximately doubled the size of its branch network and total assets. This will result in a significant expansion and increased complexity of the BPI Group’s operations. Certain adverse consequences for the BPI Group’s business and results of operations could result from an acquisition of the Banca AntonVeneta Group, if it were to be successful. Such adverse effects could result from the following:

- *The Bank’s projections and forecasts with respect to its post-acquisition regulatory capital obligations are based on assumptions that are subject to change and uncertainty*

The Bank’s ability to foresee its capital requirements, to meet its regulatory capital obligations and to anticipate its Tier I and total capital ratios depend on a number of assumptions, among which the number and allocation of the shares tendered pursuant to the Offers and the negotiations of, and market conditions relating to, the capital raising transactions planned by the Bank for the purpose of funding the Offers. Any or all of these assumptions may not prove accurate and deviations from these assumptions could result in regulatory capital results that differ materially from those forecast by the Bank. As a result, prospective investors should not unduly rely on the Bank’s projections or forecasts in relation to regulatory capital.

- *The BPI Group may not be able to integrate and to centralize the Banca AntonVeneta Group into its existing group effectively*

The proposed acquisition of the Banca AntonVeneta Group requires the integration and combination of different management, strategies, procedures, products and services, client bases and distribution networks with the aim of streamlining the business structure and operations of the newly enlarged group. This process of integration may require significant additional investment and expense. There can be no assurance that the BPI Group will be able to assimilate the Banca AntonVeneta Group’s structure, management and client base into the BPI Group. Failure to so integrate or assimilate the Banca AntonVeneta Group, or the need for significant further investment in order to do so, could have a material adverse effect on the BPI Group’s business and results of operations.

- *Integrating the risk management policies of the Banca AntonVeneta Group with those of the BPI Group could become an important component of the BPI Group’s operating performance*

The percentage of non-performing loans of the BPI Group as at December 31, 2004 was 1.73 per cent. and for the Banca AntonVeneta Group (on a consolidated basis) was 3.66 per cent. (compared to a national average of 1.93 per cent.). If the acquisition is completed, all non-performing loans will become the BPI Group’s responsibility. The Bank cannot give any assurances that it will be able to transfer its risk management policies to the Banca AntonVeneta Group effectively or that, prior to integrating the Banca AntonVeneta Group’s risk management systems with those of the BPI Group, such systems will prove to be adequate. As a result, the BPI Group may suffer losses from non-performing loans, which would have a material adverse effect on its business and results of operations.

Rapid Expansion through the Bank's Recent and Planned Acquisitions May Lead to Considerable Demands on the BPI Group's Resources and Create Operating Difficulties

The rapid expansion of the BPI Group through recent acquisitions and the planned acquisition of Banca Antonveneta may place a significant strain on its managerial, operational and financial and other resources, as well as its accounting controls and risk management. As the scale of its banking operations and territorial coverage have grown and will continue to grow, the BPI Group has dedicated, and will continue to dedicate, management resources to ensure that the BPI Group structure performs to industry and banking regulatory standards. The ability of the BPI Group to manage such expansion will depend largely on the following:

- Developing and maintaining efficient and integrated back office support systems;
- Implementing new products and services and marketing and cross-selling both existing and new products through an expanded distribution network;
- Controlling costs;
- Maintaining effective quality controls while expanding its internal information, accounting and management systems;
- Attracting, assimilating and retaining qualified personnel; and
- Monitoring operations and managing risks.

If the BPI Group fails to implement any of these measures at a pace consistent with the growth of its business, the expansion of the BPI Group's client base, the products and services the BPI Group offers and the effectiveness of the BPI Group's control systems could be adversely affected. This, in turn, could have an adverse affect on the BPI Group's business, results of operations or financial condition.

Fluctuations in Interest Rates May Impact the BPI Group's Results

Fluctuations in interest rates in Europe and in the other markets in which the BPI Group operates influence the BPI Group's performance. The results of the BPI Group's banking operations are affected by the BPI Group's management of interest rate sensitivity. Interest rate sensitivity refers to the relationship between changes in market interest rates and changes in net interest income. A mismatch of interest-earning assets and interest-bearing liabilities in any given period, which tends to accompany changes in interest rates, may have a material effect on the BPI Group's financial condition or results of operations. For a discussion of how the BPI Group manages interest rate risk, see "The Bank and the BPI Group—Risk Management."

Continued Economic Sluggishness and Weak Financial Markets and Volatility Can Materially Adversely Affect the BPI Group's Revenues and Profits

The results of the BPI Group are affected by general economic, financial and other business conditions. During recessionary periods, there may be less demand for loan products and a greater number of the BPI Group's customers may default on their loans or other obligations. Interest rate rises may also impact the demand for mortgages and other loan products. The risk arising from the impact of the economy and business climate on the credit quality of the BPI Group's borrowers and counter-parties can affect the overall credit quality and the recoverability of loans and amounts due from counterparties.

In addition, protracted or steep declines in the stock or bond markets in Italy and elsewhere may adversely impact the BPI Group's investment banking, securities trading and brokerage activities, the BPI Group's asset management and private banking services, as well as the BPI Group's investments in and sales of products linked to financial assets performance.

For a discussion of how the BPI Group manages credit and market risk, see "The Bank and the BPI Group—Risk Management."

Intense Competition, especially in the Italian Market, where the BPI Group has the Vast Majority of its Businesses, Could Have a Material Adverse Effect on the BPI Group's Results of Operations and Financial Condition

Competition is intense in all of the BPI Group's primary business areas in Italy and the other countries in which the BPI Group conducts its business. The BPI Group derives nearly all of its total banking income from its banking activities in Italy, a mature market where competitive pressures have been increasing quickly. If the BPI Group is unable to continue to respond to the competitive environment in Italy with attractive product and service offerings that are profitable for the BPI Group, it may lose market share in important areas of its business or incur losses on some or all of its activities. In addition, downturns in the Italian economy could add to the competitive pressure, through, for example, increased price pressure and lower business volumes for which to compete.

The BPI Group's Risk Management Policies May Fail to Provide Adequate Protection

The BPI Group classifies the risk elements in its Italian loan portfolio in accordance with appropriate requirements of the Bank of Italy and Italian law, which may not be as strict as the corresponding requirements in certain other countries. The BPI Group has devoted significant resources to developing policies, procedures and assessment methods to manage market, credit, liquidity and operating risk and intends to continue to do so in the future. Nonetheless, the BPI Group's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risks, including risks that the BPI Group fails to identify or anticipate. If existing or potential customers believe that the BPI Group's risk management policies and procedures are inadequate, the BPI Group's reputation, as well as its revenues and profits, may be negatively affected.

The BPI Group, like all financial institutions, is exposed to many types of operational risk, including the risk of fraud by employees and outsiders, unauthorised transactions by employees or operational errors, including errors resulting from faulty computer or telecommunication systems. The BPI Group's systems and processes are designed to ensure that the operational risks associated with the BPI Group's activities are appropriately monitored. Any failure or weakness in these systems, however, could adversely affect the BPI Group's financial performance and business activities.

Changes in the Italian and European Regulatory Framework Could Adversely Affect the BPI Group's Business

The BPI Group is subject to extensive regulation and supervision by the Bank of Italy, CONSOB, the European Central Bank and the European System of Central Banks. The banking laws to which the BPI Group is subject govern the activities in which banks and banking foundations may engage and are designed to maintain the safety and soundness of banks, and to limit their exposure to risk. In addition, the BPI Group must comply with financial services laws that govern its marketing and selling practices. Any changes in how such regulations are applied or the implementation of the New Basle Capital Accord ("Basle II") on capital requirements for financial institutions, may have a material effect on the BPI Group's business and operations. As some of the banking laws and regulations affecting the BPI Group have been recently adopted, the manner in which those laws and related regulations are applied to the operations of financial institutions is still evolving. No assurance can be given that laws and regulations will be adopted, enforced or interpreted in a manner that will not have an adverse effect on the business, financial condition, cash flows and results of operations of the BPI Group.

Changes from Italian GAAP to IFRS May Make Comparison with the Bank's Current Audited Consolidated Financial Statements Impossible

Pursuant to European Community Regulation EC 1606/2002, all companies listed on stock exchanges in the European Union, including the Bank, are required to prepare their financial statements in accordance with international financial reporting standards ("IFRS"), beginning with the accounts for the financial year ended December 31, 2005. The nature and scope of the changes the Bank will be required to make to its accounting policies and practices are currently unclear. The Bank cannot exclude the possibility that the change to IFRS

could have a significant impact on individual line items in its consolidated financial statements and make any comparison with its current financial statements extremely difficult.

Investment Considerations Relating to the Preferred Securities

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 that are not declared (or deemed declared) for payment will not accumulate or compound from Dividend Period to Dividend Period. As a consequence, if Dividends are not declared (or deemed declared) in full or in part in respect of any Dividend Period on the LLC Preferred Securities, holders of the LLC Preferred Securities (and, consequently, holders of the Trust Preferred Securities) will not receive, 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.

Trust Preferred Securities Have Substantially the Same Economic Risks as an Investment in Non-cumulative Perpetual Preference Shares of the Bank

An investment in the Trust Preferred Securities will have substantially the same economic risks as an investment in non-cumulative perpetual preference shares issued directly by the Bank, having the same liquidation preference and rate of distribution as the Trust Preferred Securities. Accordingly, if the BPI 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 non-cumulative 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 "Description of the Trust Securities," "Description of the LLC Securities" and "Description of the Subordinated Guarantees."

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, had been 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".

Perpetual Nature of the Trust Preferred Securities

The Trust Preferred Securities have no fixed final redemption date and holders have no rights to require the redemption of the Trust Preferred Securities. Although the Trust may elect to redeem the Trust Preferred Securities in certain circumstances, as set out below, such election may be discretionary and subject to certain limitations.

Ratings

The Trust Preferred Securities are expected to be assigned a rating of BBB- by Fitch and Baa3 (under review for possible downgrade) by Moody's. The Bank has been rated BBB+ by Fitch and Baa1 by Moody's. Fitch

placed the BBB+ and F-2 long- and short-term senior debt ratings of the Bank on negative credit watch on April 29, 2005 and on May 13, 2005, Moody's placed on review for possible downgrade the Baa1 and P-2 long- and short-term debt and deposit ratings, the Baa2 subordinated debt ratings and the C- financial strength rating of the Bank. In determining the rating assigned to the Trust Preferred Securities and the Bank, these rating agencies have considered and will continue to review various indicators of the BPI Group's performance, including, among other things, the Bank's ability to fund, and its means of funding, the Offers, and its ability to maintain profitability and consolidated capital ratios within certain target levels following the Anton Veneta acquisition. Any negative change in such indicators could result in a downgrade in the Trust Preferred Securities, bringing them below investment grade.

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 with respect to the Company) shall have occurred, then the LLC Preferred Securities (and, consequently, the Trust Preferred Securities) will be redeemable at the option of the LLC, with the prior approval, if then required, of the Bank of Italy, in whole but not in part, at the Special Redemption Price on any Dividend Payment Date if such redemption occurs prior to June, 2015. 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.

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 eligible for listing 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 U.S. Internal Revenue 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 or admission to trading of the LLC Preferred Securities on the Luxembourg Stock Exchange. Upon any such listing or admission to trading, 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 or 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. If such a market were to develop, BNP Paribas is under no obligation to maintain such a market. The liquidity and the market prices for the Trust Preferred Securities can be expected to vary with changes in market and economic conditions, the financial condition and the prospects of the BPI Group and other factors that generally influence the market prices of securities. Such fluctuations may significantly affect liquidity and market prices for the Trust Preferred Securities.

USE OF PROCEEDS

The net proceeds of the offering (after deducting the management and underwriting commissions) are estimated to be approximately €487,500,000. 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 intends to use the proceeds from the Initial Subordinated Deposit for general corporate purposes and to consolidate capital ratios.

CAPITALIZATION AND CAPITAL ADEQUACY

Capitalization

The following table sets out consolidated capitalization of the Bank as at December 31, 2004 and the consolidated capitalization of the Bank as at December 31, 2004 as adjusted to reflect the issue of the Trust Preferred Securities. This information should be read in conjunction with, and is qualified in its entirety by reference to, the audited consolidated balance sheet and the income statement of the Bank as at and for the year ended December 31, 2004, which appear elsewhere in this Offering Circular.

	As at December 31, 2004	
	Actual	Adjusted
	<i>(thousands of euro)</i>	
Short-term debt		
Sums owed to banks.....	4,697,114	4,697,114
Sums owed to customers	13,882,067	13,882,067
Liabilities represented by securities.....	3,847,695	3,847,695
Subordinated loans	50,357	50,357
Total short-term debt	<u>22,477,233</u>	<u>22,477,233</u>
Medium-term debt		
Sums owed to banks.....	177,854	177,854
Sums owed to customers	4,875	4,875
Liabilities represented by securities.....	9,275,239	9,275,239
Subordinated loans	488,208	488,208
Total medium-term debt	<u>9,946,176</u>	<u>9,946,176</u>
Long term-debt		
Sums owed to banks.....	100,274	100,274
Sums owed to customers	142,822	142,822
Liabilities represented by securities.....	1,583,185	1,583,185
Subordinated loans	1,499,454	1,799,454
Total long-term debt	<u>3,325,735</u>	<u>3,625,735</u>
Minority interest.....	1,278,601	1,278,601
Shareholders' equity		
Share capital ⁽¹⁾	2,442,648	2,442,648
General banking risks fund	5,000	5,000
Legal and other reserves.....	85,328	85,328
Revaluation reserves.....	24,478	24,478
Income for the period.....	168,382	168,382
Negative goodwill arising on consolidation.....	3,310	3,310
Total shareholders' equity	<u>4,007,747</u>	<u>4,007,747</u>
Total capitalization	<u>39,756,891</u>	<u>40,056,891</u>

⁽¹⁾ Divided into 295,042,409 ordinary shares with a nominal value of €3 each, such shares being fully paid-up and non-assessable. The Bank's authorized and issued share capital as at December 31, 2004 was €885,127,227.

There has not been any material change in the consolidated and non-consolidated capitalization of the Bank since December 31, 2004, save for the issuance of other subordinated loans for a total amount of €700 million (see "– Capital Adequacy" below) and save for the increase of the Bank's authorized capital to €2,091,396,903 (although no additional ordinary shares have been issued since December 31, 2004).

Capital Adequacy

The Bank has adopted risk-based capital ratios (“Capital Ratios”) pursuant to EU capital adequacy directives. Italy’s current capital requirements are in many respects similar to the requirements imposed by the international framework for capital measurement and capital standards of banking institutions of the Basle Committee on Banking Regulations and Supervisory Practices. The Capital Ratios compare core (Tier I) and supplemental (Tier II) capital requirements to banks’ assets and certain off-balance sheet items, weighted according to risks (“Risk-Weighted Assets”).

The Bank calculates and reports its capital adequacy ratios on a consolidated basis. In accordance with Bank of Italy regulations, the Bank is required to maintain a total capital adequacy ratio of at least 8 per cent. The following table shows the BPI Group’s Tier I and Tier II capital levels and the relative ratios as at December 31, 2003 and 2004:

	As at December 31,	
	2003	2004
	<i>(millions of euro)</i>	
Tier I Capital	1,764.1	1,974.4
Tier II Capital	1,668.0	1,504.3 ⁽¹⁾
Less: Financial investments	(455.3)	(481.2)
Total Tier I and Tier II Capital (“Own Funds”)	<u>2,976.8</u>	<u>2,997.5</u>
Capital Ratios:		
Tier I Capital to total Risk-Weighted Assets (“Tier I Capital Ratio”)....	<u>5.29%</u>	<u>6.35%</u>
Own Funds to total Risk-Weighted Assets (“Total Capital Ratio”).....	<u>8.91%</u>	<u>9.64%⁽¹⁾</u>

⁽¹⁾ The Bank completed the issue of €300 million upper Tier II subordinated notes in March 2005, €300 million of lower Tier II subordinated notes in April 2005 and €100 million of Tier III subordinated notes in May 2005.

For a discussion of the Bank’s regulatory capital in relation to the Banca AntonVeneta acquisition, see “The Bank and the BPI Group – Recent Events – Regulatory Capital Information.”

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

Balance Sheet Data	As at December 31,	
	2003	2004
	<i>(thousands of euro)</i>	
Assets:		
Cash on hand and deposits with central banks and post offices	250,012	243,669
Treasury bills and similar bills eligible for refinancing with central banks	48,029	215,428
Due from banks:	2,656,063	3,324,648
Customer loans	26,756,484	25,812,617
Bonds and other debt securities:	4,517,668	4,094,181
Shares, quotas and other equities	1,608,261	1,661,577
Equity investments.....	1,256,319	1,341,362
Investments in group companies	81,091	99,159
Positive goodwill arising on consolidation	1,400,615	1,274,263
Positive goodwill arising on application of the equity method.....	7,542	39,311
Intangible fixed assets	709,885	706,812
Tangible fixed assets	831,579	745,754
Own shares	689	2,203
Other assets	3,375,937	3,192,166
Accrued income and prepaid expenses:	569,525	531,829
Total assets	44,069,699	43,284,979
Liabilities:		
Due to banks	4,199,203	4,975,242
Due to customers	14,386,038	14,029,764
Securities issued:	15,691,673	14,706,119
Third-party funds under administration	5,257	5,113
Other liabilities	2,154,665	2,447,950
Accrued expenses and deferred income:	515,044	469,274
Provisions for severance indemnities	187,446	183,139
Provisions for contingencies and other charges:	748,895	414,304
Reserve for loan losses	4,199	8,308
Reserve for general banking risks	5,000	5,000
Subordinated liabilities	2,269,026	2,038,019
Negative goodwill arising on consolidation	1,275	1,192
Negative goodwill arising on application of the equity method	639	2,118
Minority interest	1,133,934	1,278,601
Share capital	862,228	885,127
Share premium account	1,557,521	1,557,521
Reserves:	241,455	85,328
Revaluation reserves	63,817	24,478
Net profit (loss) for the period.....	42,384	168,382
Total liabilities	44,069,699	43,284,979
Memorandum Accounts:		
Guarantees given	2,771,538	2,303,842
Commitments.....	4,853,596	5,720,646
Derivatives on loan	172,035	113,792

Income Statement Data	For the year ended December 31,		% Variation
	2003	2004	2003/2004
	<i>(thousands of euro)</i>		
Net interest income	824,392	868,031	5.3
Non-interest income:			
Dividends and other revenues	51,796	113,210	118.6
Net commission income	403,189	445,159	10.4
Income (loss) on financial transactions	24,791	45,770	84.6
Other operating income	226,323	312,762	38.2
Total operating income	1,530,491	1,784,932	16.6
Non-interest expenses:			
Personnel	(485,887)	(495,394)	2.0
Other	(413,891)	(399,313)	(3.5)
Total net interest and net non interest income	630,713	890,225	41.1
Writedowns of intangible and tangible fixed assets	(237,369)	(234,610)	(1.2)
Provisions for contingencies and other charges	(13,294)	(21,202)	59.5
Other operating expenses	(7,164)	(15,819)	102.8
Writedowns of loans and provisions for guarantees and commitments	(275,416)	(257,815)	(6.4)
Writebacks from loans and provisions for guarantees and commitments	18,706	27,105	44.9
Provisions to the reserve for possible loan losses	–	(7,903)	–
Adjustments to the value of financial fixed assets	(28,618)	(51,171)	78.8
Write-backs of adjustments to financial fixed assets	153	–	–
Profit (loss) of equity investments carried at equity	(2,802)	12,178	–
Profits (loss) from ordinary operations	84,909	340,988	301.6
Extraordinary income (expenses)	58,309	55,168	(5.4)
Change in the reserve for general banking risks	12,560	–	–
Income taxes for the period	(66,237)	(128,161)	93.5
Net profit (loss) for the period of minority interests	(47,157)	(99,613)	111.2
Net profit (loss) for the period	42,384	168,382	297.3

THE BANK AND THE BPI GROUP

Overview

The Bank is the parent company of the BPI Group (*Gruppo Bancario Bipielle*) and is registered on the Register of Italian Banking Institutions. The BPI Group has a leading banking presence in Italy with significant operations in several Italian regions. Headquartered in via Polenghi Lombardo 13, in Lodi (Lombardy), the BPI Group has traditionally operated in the region of Lombardy and, since 1995, has expanded its operations into most regions of Italy, including in Tuscany, Sicily, Liguria and the Abruzzo.

As at December 31, 2004, the BPI Group conducted operations through its 970 branches in 17 Italian regions and with a network of 1,236 financial consultants (*promotori finanziari*). The BPI Group is also active in Switzerland, through its subsidiary Bipielle Bank (Suisse) S.A. (“Bipielle Bank (Suisse)”), and in the United Kingdom, through the Bank’s London branch.

The BPI Group’s business is composed predominantly of the provision of commercial banking products and services. To complement its traditional banking activities, the BPI Group has, over the past several years, expanded the financial products and services it offers to its customers through various fee-generating activities. These activities include retail banking, investment banking, consumer lending, asset management and real estate services. Individuals, income generating households and small to medium-sized businesses constitute the core of its customer base.

As at December 31, 2004, the BPI Group was the third largest co-operative banking group in Italy in terms of total consolidated assets (approximately €43,285 million) based on data from the *Associazione delle Banche Popolari Italiane* (the Association of Italian Co-operative Banks). As at December 31, 2004, the Bank’s consolidated total net operating revenues were approximately €1,769.1 million, a 16.1 per cent. increase from approximately €1,523.3 million in 2003.

The table below sets out the BPI Group’s consolidated total assets, shareholders’ equity and number of branches as at December 31, 2003 and 2004.

	As at December 31,	
	2003	2004
	(millions of euro)	
Total assets	44,070	43,285
Shareholders’ equity	2,774 ⁽¹⁾	2,729
Branches	935	970

⁽¹⁾ Excluding minority interests

History

General

The Bank was established on March 28, 1864 as a *Società Cooperativa per azioni a responsabilità limitata* (S.c.a r.l.), a limited liability joint-stock co-operative company under Italian law. The Bank was the first co-operative bank established in Italy, and it was formed to promote savings by local customers and to provide banking services to support their business activities.

The Bank was listed on the *Mercato Ristretto* of the Italian Stock Exchange in 1981 and has been listed on the *Mercato Telematico Azionario* of the Italian Stock Exchange since July 1998. Since July 6, 2000, the Italian Stock Exchange has included the Bank’s securities in its MIBEX Index, consisting of the 25 top medium-market capitalization listed companies. As a result of its inclusion in the MIBEX Index, the Bank’s securities are also traded on the Trading After Hours market, a market operated by the Italian Stock Exchange on weekday evenings.

The Bank began expanding in 1982 through a series of mergers and acquisitions, initially in one of the wealthiest areas of its traditional market, the region of Lombardy. In 1995, the Bank began its transformation from a regionally focused bank into a national bank by expanding its business outside its traditional areas of operations, both geographically and in terms of areas of business, through a series of acquisitions.

In total, the BPI Group has made over 26 acquisitions of banks and financial institutions since 1995, the most significant of which have been those of ICCRI – Banca Federale Europea S.p.A. (“ICCRI-BFE”), Efibanca S.p.A. (“Efibanca”), Casse del Tirreno S.p.A., Banca Popolare di Crema S.c.a r.l. (“Banca Popolare di Crema”), Banca Popolare di Cremona S.p.A. (“BPC”), Banca Caripe S.p.A. (“Banca Caripe”), and Banco di Chiavari e della Riviera Ligure S.p.A. (“BCRL”).

Restructuring

Following a restructuring and reorganization of the BPI Group, completed in 2002, the Bank’s management created two principal subsidiaries, Bipielle Retail S.p.A. (“Bipielle Retail”), which focuses on retail banking and holds the BPI Group’s interests in companies that conduct traditional banking activities, and Bipielle Investimenti S.p.A. (“Bipielle Investimenti”), which focuses on product banking and holds the BPI Group’s interests in investment banking, wealth management and real estate services.

On September 12, 2003, the Bank’s Board of Directors approved a new reorganization project (the “Reorganization Project”) in order to rationalize its territorial network, to increase its market competitiveness and to rationalize its operative synergies.

The rationalization of the BPI Group’s operating synergies included the concentration of the following subsidiaries directly under the organizational control of the Bank: (i) the banking sector of BCRL; (ii) Banca Popolare del Trentino S.p.A. (“Banca Popolare del Trentino”) and Banca Bipielle Adriatico S.p.A. (“Banca Bipielle Adriatico”); (iii) on-line activities of Banca Bipielle Network S.p.A. (“Old Bipielle Network”); (iv) B2Bipielle S.p.A. (“B2Bipielle”) and Bipielle Santander Central Hispano Sim S.p.A. In addition, the Bank reorganized the corporate structure of Bipielle Investimenti and its controlled companies, and all of the activities of the network banks were organized under BCRL (subsequently renamed Reti Bancarie Holding S.p.A. (“Reti Bancarie”)).

Post-Restructuring Developments

In 2004, the BPI Group carried out a limited number of material transactions:

- In January, 2004, the Bank indirectly purchased the shareholdings in Bipielle Real Estate S.p.A. (“Bipielle Real Estate”), Bipielle Leasing S.p.A. (“Bipielle Leasing”), Banca Eurosistemi S.p.A. (“Banca Eurosistemi”), Bipielle Net and Efibanca; the overall value of these transactions was approximately €122.4 million.
- Banca Eurosistemi agreed to transfer its payment and clearing systems center, including banks, companies and customer portfolio business, to Istituto Centrale delle Banche Popolari (“ICBPI”) for approximately €13.5 million, and transferred its global custody business to the Bank and its technology management services business to Bipielle ICT S.p.A. (“Bipielle ICT”).
- Area S.p.A. (“Area”) and its controlled companies (the “Area Group”) merged into Bipielle Investimenti in conjunction with a rights offering in which the Bank subscribed 49,997,750 of the 50,000,000 shares.

BPI Group Structure

As the parent company of the BPI Group, the Bank co-ordinates and monitors the BPI Group's activities, maintains the relationship of the BPI Group with the Bank of Italy and is responsible for the BPI Group's overall strategy. Together with the various subsidiary banks that make up the banking group, the Bank both engages in traditional banking activities and performs other financial and asset management services. The BPI Group's non-banking companies also provide financial and asset management services, both directly and indirectly through the Bank and its subsidiaries.

The table below sets out the activities of the BPI Group's principal subsidiaries as at December 31, 2004.

Retail Banking	Product Companies	Asset Management	Investment Bank	Real Estate	Holding Companies
Banca Popolare di Lodi S.c. a r.l.	Bipielle Riscossioni S.p.A.	Bipielle Bank (Suisse) S.A.	Ab Capital S.p.A.	Bipielle Real Estate S.p.A.	Bipielle I.C.T. S.p.A.
Banca Caripe S.p.A.	Bipielle Ducato S.p.A.	Bipielle Alternative SGR S.p.A.	Efibanca S.p.A.	Bipielle Immobili Strumentali S.p.A.	Bipielle International Holding S.A.
Banca Popolare di Crema S.p.A.	Banca Eurosystemi S.p.A.	Bipielle Fondi Immobiliari SGR S.p.A.			Bipielle Investimenti S.p.A.
Banca Popolare di Cremona S.p.A.	Bipielle Leasing S.p.A.	Critefi Sim S.p.A.			Banca Popolare di Lodi Capital Company LLC ⁽⁴⁾
Cassa di Risparmi di Livorno S.p.A.	Lombardia Servizi di Riscossione S.p.A.	Bipielle Fondicri S.p.A.			Banca Popolare di Lodi Capital Company LLC II ⁽⁴⁾
Cassa di Risparmio di Lucca S.p.A.	Sofinspa S.p.A.	International UK S.A.			Reti Bancarie Holding S.p.A.
Banca Popolare di Mantova S.p.A.		Italfortune International Advisors S.A.			
Banca Bipielle Network S.p.A.		Nazionale Fiduciaria S.p.A.			
Cassa di Risparmio di Pisa S.p.A.		Pecufina AG			
Bipielle Società di Gestione del Credito S.p.A. ⁽¹⁾		Bipielle Previdenza Assicurativa S.r.l.			
Tiepolo Finance S.r.l. ⁽²⁾					
Tiepolo Finance 2 S.r.l. ⁽²⁾					
Banca Valori S.p.A. ⁽³⁾					

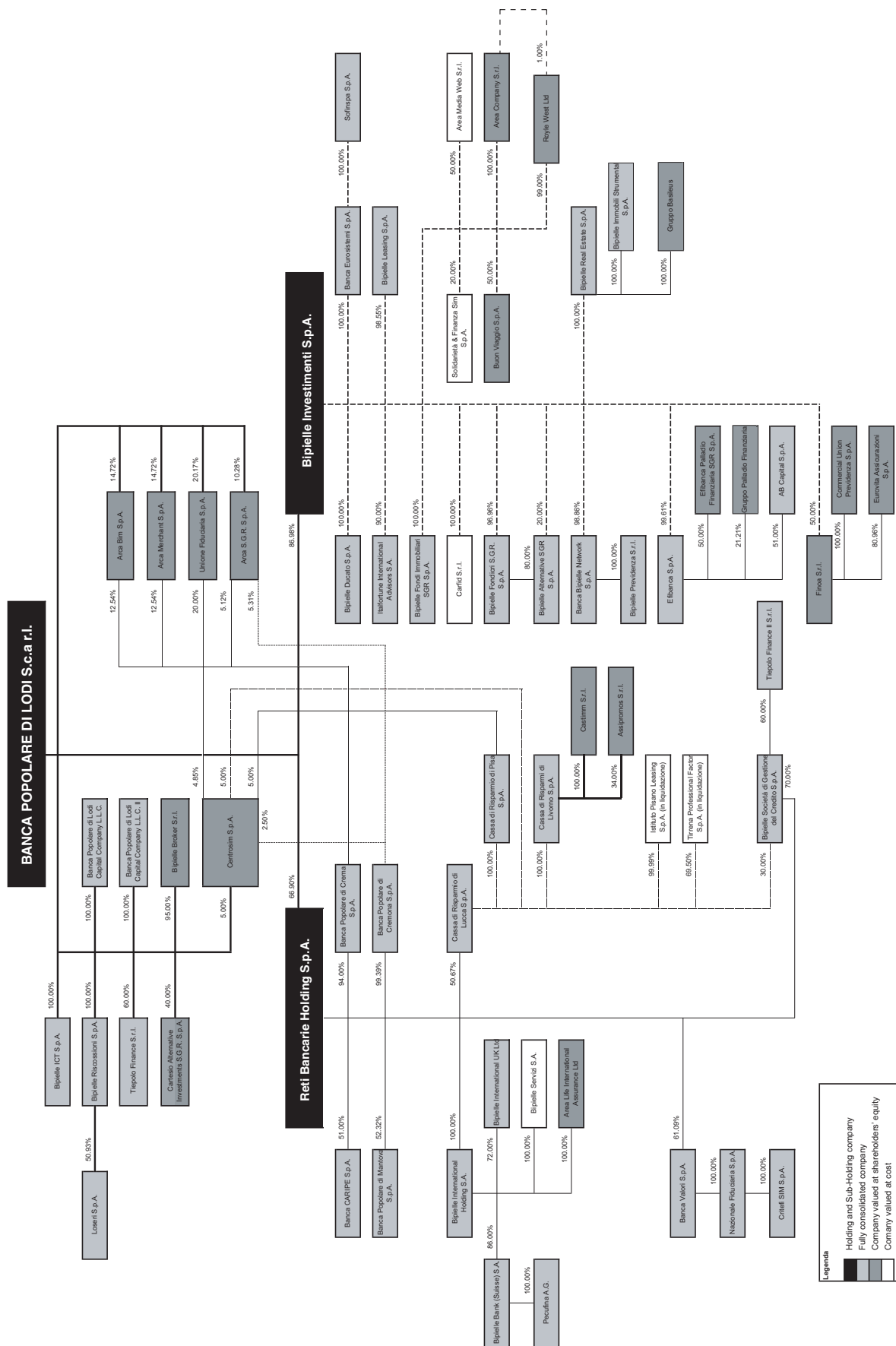
⁽¹⁾ Specializes in debt collection

⁽²⁾ Special purpose vehicle for securitization transactions

⁽³⁾ Also offers private banking services

⁽⁴⁾ Special purpose vehicle for the issue of Tier I securities

The chart below shows the corporate structure of the BPI Group as at December 31, 2004.



Strategy

In response to changes in the economic and regulatory environment in Italy, the Bank revised its strategic plan in order to establish itself and its consolidated subsidiaries as one of the primary multi-regional banking groups in Italy. The Bank intends to pursue its strategy of growth, improving its profitability and efficiency. Such aims will be pursued through the establishment of new branches and innovative distribution channels, and by acquisitions.

In particular, the Bank's objectives are:

- to strengthen the BPI Group's presence in the regions in which it traditionally operates and to expand its presence in other regions (focusing on the Veneto and Emilia Romagna regions) and to strengthen and expand its areas of business, such as by increasing sources of income including retail banking, investment banking, consumer lending activities, asset management and real estate services; and
- to increase operating efficiency and profitability by improving asset quality, optimising the allocation of financial resources and focusing on market segments which offer high returns on capital.

Activities

The BPI Group's banking business consists of commercial banking, treasury activities, securities dealing and brokerage activities, asset management and bancassurance, leasing and consumer lending. Through its subsidiary Efibanca, the BPI Group is also active in medium- and long-term lending and merchant banking activities.

The table below sets out the contribution of each business activity to the Bank's total consolidated operating revenues for the periods indicated:

	Year ended December 31,	
	2003	2004
	<i>(thousands of euro)</i>	<i>(thousands of euro)</i>
Commercial banking ⁽¹⁾	1,233,487	1,389,600
Treasury, securities dealings, brokerage activities ⁽²⁾	84,826	156,624
Asset management ⁽³⁾ and bancassurance ⁽⁴⁾	106,954	127,698
Leasing ⁽⁵⁾	17,208	16,145
Consumer lending activities	66,086	66,172
Merchant banking	14,766	12,874
Total net operating revenues	1,523,327	1,769,113

⁽¹⁾ Includes net interest income, commissions from credit services, tax credits, payment and collection services and other charges.

⁽²⁾ Includes net operating profits from financial transaction, dividends, commission for brokerage service and consulting.

⁽³⁾ Includes commission from asset management services and custody.

⁽⁴⁾ Includes mutual fund management.

⁽⁵⁾ Includes net profits from leasing activities.

Commercial Banking

The Bank's traditional banking operations consist predominantly of retail and corporate deposit-taking, and short-, medium- and long-term lending.

The Bank believes that its focus on local customers and the quality of the products and services offered by the BPI Group have generated significant customer loyalty. The Bank's loans to customers on a consolidated basis amounted to approximately €25,813 million as at December 31, 2004 compared to approximately €26,756 million as at December 31, 2003. The BPI Group's customer deposits, including bonds issued,

amounted to approximately €28,736 million as at December 31, 2004, compared to approximately €30,078 million as at December 31, 2003.

The Bank's loans to customers on a non-consolidated basis amounted to approximately €11,723 million as at December 31, 2004 and €12,537 million as at December 31, 2003. The Bank's customer deposits on a non-consolidated basis, including bonds issued, amounted to approximately €16,533 million as at December 31, 2004 and €16,854 million as at December 31, 2003.

Retail Banking

The Bank, together with other members of the BPI Group, provides a range of traditional retail banking products and services, as well as a number of retail products tailored to meet the specific needs of its customers, including electronic payment services and the issuance of credit and debit cards.

The BPI Group also offers a range of sophisticated mortgage packages, directly as well as in conjunction with Banca Woolwich S.p.A., a member of the Barclays Group.

The Bank has issued a portfolio of bonds linked to the performance of a basket of mutual funds managed by Arca S.p.A. ("Arca") and Bipielle Fondicri SGR S.p.A. ("Bipielle Fondicri"). Counterparties assume the market risk linked to the performance of the index in relation to such bonds through an asset swap.

Corporate Banking

The BPI Group provides a range of corporate banking products and services to corporate customers, primarily local small- and medium-size companies operating in various industrial sectors. Corporate banking services include overdraft facilities, bills and receivables discounting, export/import financing, advances on contracts and invoices, acceptance of deposits and electronic payment systems. Within the BPI Group, the Bank's Corporate Banking division works closely with its counterpart within Efibanca and provides relevant client information which Efibanca uses to offer appropriate financial products to those clients. The Bank also offers treasury management, securities brokerage and leasing services to its corporate customers. In the year ended December 31, 2004, loans to corporate customers represented approximately 73.1 per cent. of the BPI Group's total customer loans.

The BPI Group has launched several initiatives aimed particularly at small- and medium-size companies, such as credit facilities and structured/project financing.

The BPI Group also provides remote banking services (under the names "Remote Banking" and "Remote Banking Light"), featuring access to on-line information such as account balances and entries and the ability to make electronic payment orders.

The BPI Group's corporate customer base is diversified by industry. The Bank's loan portfolio is composed principally of loans extended to companies operating in industries such as wholesale and retail trade, construction, agricultural products, textiles, food, footwear and clothing and agricultural and industrial machinery. Since the Bank expects small- and medium-sized companies to borrow primarily from those banks that provide a broad range of services, the BPI Group intends to offer its corporate clients a wide range of value-added products and services, together with new services. These new services include cash management, financial consulting and corporate finance advisory services, such as the structuring and sale of corporate bonds.

Lending Activity

Loans to Customers by Type of Borrower

As at December 31, 2004, approximately 67 per cent. by value of the BPI Group's lending was to producer households (principally small businesses and sole traders) and non-financial enterprises. The table below sets out the BPI Group's loans to customers by type of borrower as at December 31, 2004 and 2003:

As at December 31,				
2003		2004		
	(thousands of euro)	(%)	(thousands of euro)	(%)
Governments	223,245	0.8	172,410	0.7
Other public authorities.....	598,013	2.2	649,539	2.5
Non-financial enterprises	16,269,742	60.8	15,192,914	58.9
Financial enterprises	1,740,078	6.5	2,034,558	7.9
Personal businesses ⁽¹⁾	1,690,966	6.3	2,091,919	8.1
Other borrowers.....	6,234,440	23.3	5,671,277	22.0
Total	26,756,484	100.00	25,812,617	100.00

Note:

⁽¹⁾ Personal businesses comprise principally small businesses and sole traders.

The table below sets out the BPI Group's loans to non-financial enterprises and personal businesses by the borrower's principal business of industry segment as at December 31, 2003 and 2004:

As at December 31,				
2003		2004		
	(millions of euro)	(%)	(millions of euro)	(%)
Other sales oriented services.....	4,288	23.9	4,374	25.3
Commerce, salvage and repair services	2,249	12.5	2,125	12.3
Construction and public works	1,792	9.9	1,725	10.0
Food, beverage and tobacco products	764	4.3	709	4.1
Other business activities	8,868	49.4	8,352	48.3
Total	17,961	100.0	17,285	100.0

Lending by Type of Facility

The table below sets out the BPI Group's customer loan portfolio divided by type of facility as at December 31, 2003 and 2004:

As at December 31,				
2003		2004		
	(millions of euro)	(%)	(millions of euro)	(%)
Overdrafts	6,231	23.1	7,701	29.8
Mortgages	10,521	39.3	10,936	42.4
Advances and other loans	9,676	36.1	6,710	23.9
Non-performing loans	309	1.2	446	1.7
Repurchase agreements	20	n.s.	20	n.s.
Total	26,757	100.0	25,813	100.0

As evidenced by the table above, mortgages are the BPI Group's most common lending product in terms of value.

Interbank Lending

The BPI Group also makes loans to Italian and foreign banks on the interbank market. The table below sets out certain information about the BPI Group's lending on the interbank market as at December 31, 2003 and 2004.

	As at December 31,	
	2003	2004
	<i>(millions of euro)</i>	
Due from banks		
Repayable on demand	889	761
Other loans	2,436	1,895
Total	3,325	2,656

Large Exposures

As at December 31, 2004, the BPI Group had five "large exposures" (defined by the Bank of Italy as being a loan whose value is greater than 10 per cent. of the relevant bank's own funds), for a total amount of €2,180.8 million. The table below sets out the Bank's loan exposures as a percentage of the total loan portfolio as at December 31, 2003 and 2004.

	As at December 31,	
	2003	2004
	<i>(% of total Bank loan portfolio)</i>	
20 largest customers	12.98	17.50
30 largest customers	15.27	20.79
40 largest customers	16.95	23.30
20 largest groups	15.79	20.82
30 largest groups	18.37	24.88
40 largest groups	20.26	27.66

Management believes that the BPI Group's customer loan portfolio is satisfactorily diversified.

Geographic distribution

A total of 91.57 per cent. of the BPI Group's customer loan portfolio was represented by loans to customers based in Italy. The table below sets out the geographical distribution of the BPI Group's assets and liabilities as at December 31, 2003 and 2004:

	As at December 31,					
	2003			2004		
	Italy	Other EU Countries	Other Countries	Italy	Other EU Countries	Other Countries
	<i>(thousands of euro)</i>			<i>(thousands of euro)</i>		
Assets ⁽¹⁾	29,929,326	3,958,856	1,698,323	29,303,203	4,433,041	1,372,207
Liabilities ⁽²⁾	33,849,276	1,939,588	762,333	33,188,720	1,810,153	755,384
Guarantees and Commitments	7,525,302	80,061	191,806	6,617,353	1,284,695	122,440

⁽¹⁾ Includes only treasury bills and other bills eligible for refinancing with central banks, loans and advances to credit institutions, loans and advances to customers, bonds and other debt securities and shares and other equities.

⁽²⁾ Includes only amounts owed to credit institutions, amounts owed to customers, debts evidenced by certificates and subordinated liabilities.

Security

The table below sets out a breakdown of the security and guarantees obtained by the BPI Group in respect of its loan portfolio as at December 31, 2003 and 2004.

	As at December 31,	
	2003	2004
	<i>(thousands of euro)</i>	
Mortgages	7,099,503	7,160,501
<i>Pledges on:</i>		
Cash deposits	5,598	331
Securities	856,337	1,213,947
Other valuables	132,091	103,012
<i>Guarantees provided by:</i>		
States	9,748	—
Other public bodies	4,996	5,798
Banks	109,118	85,348
Others	3,501,017	3,581,210
Total	11,718,408	12,150,147

Funding Activities

The BPI Group's extensive branch network allows it to obtain a significant part of its funding requirements through its retail customer base. Direct deposits were €28,735.9 million as at December 31, 2004, a decrease of 4.5 per cent., as compared with €30,077.7 million as at December 31, 2003. With respect to the geographic breakdown of deposits in each region, Lombardy and Tuscany are the regions with the highest proportion of deposits from customers, comprising, as at December 31, 2004, 33.25 per cent. and 26.19 per cent., respectively, of total customer deposits. Deposits in the next three regions in terms of funding, Liguria, Sicily and Abruzzo, accounted, as at December 31, 2004, for 10.23 per cent., 8.84 per cent., and 6.57 per cent., respectively.

Customer Funding

Direct Customer Funding. The following table sets out the sources of the BPI Group's customer funding (other than Interbank funding) as at December 31, 2003 and 2004:

	As at December 31,	
	2003	2004
	<i>(millions of euro)</i>	
Deposits	1,837	1,724
Current and other accounts	10,744	10,617
Securities in issue	14,207	13,611
Certificates of deposit	996	875
Other	655	412
Total	28,439	27,239
Repurchase agreements	1,639	1,497
Total customer funding	30,078	28,736

In terms of amounts due to customers, repurchase agreements and swaps suffered the greatest decrease from the 2003 figures (a decline of 8.7 per cent.). Deposits in current accounts and savings deposits also decreased by 1.2 per cent. and 6.2 per cent., respectively, as compared to December 31, 2003. These decreases reflect

the BPI Group's policy of guiding client investments towards more profitable managed investment products. The BPI Group also obtains funding through the issuance of debt securities, primarily in the form of certificates of deposit, bonds and other debt securities. During 2004, as a result of the fact that increased costs of funding discouraged debt issuances on the international markets, there was an increase in alternative forms of funding such as securitizations, mortgage loans and customer credit. Consequently, the figures recorded for securities in issue (€13,661 million) and certificates of deposit (€875 million) have also decreased by 4.2 per cent. and 12.2 per cent., respectively.

Indirect Customer Funding. The table below sets out BPI Group's indirect deposits as at December 31, 2003 and 2004.

	As at December 31,	
	2003	2004
	<i>(millions of euro)</i>	
Indirect deposits		
Individual portfolio management	6,985	8,321
Assets managed by mutual funds	9,347	9,747
Insurance products	1,567	2,519
Total managed funds	17,899	20,587
Assets under administration	12,038	15,960
Total indirect deposits	29,937	36,547

Interbank Funding

In addition to customer funding, the BPI Group relies on loans from Italian and foreign banks on the interbank market, primarily in the form of time deposits denominated in euro. As at December 31, 2004, the amounts owed to banks totalled €4.98 billion. The table below sets out a breakdown of the sources of the BPI Group's interbank funding as at December 31, 2003 and 2004.

	As at December 31,	
	2003	2004
	<i>(millions of euro)</i>	
Due to banks		
Repayable on demand	911	721
Other loans	3,289	4,254
Total	4,200	4,975

Funding Maturities

The following table set outs the maturity profile of the Bank's customer deposits as at December 31, 2003 and 2004:

	As at December 31,	
	2003	2004
	(%)	(%)
On demand	82.38	84.56
Less than 3 months	14.04	13.09
3 months to 1 year	1.93	0.70
1 year to 5 years	0.0	0.0
Greater than 5 years	1.65	1.65
Total	100.0	100.0

Treasury, Securities Dealing and Brokerage Activities

Treasury Activities

The Bank conducts the treasury operations of the BPI Group under agreements between the Bank and the companies of the BPI Group. Its treasury operations are performed using a specialized program that coordinates the activities of the various entities of the BPI Group. The program defines asset allocation based on the Bank management's economic projections, including interest rate projections. Treasury operations primarily make use of Italian government securities and, to a lesser extent, bonds and equities. BPI Group's foreign exchange activities are managed by the parent company, the Bank.

Securities Dealing and Brokerage Activities

The Bank conducts the securities dealing and brokerage activities of the BPI Group through its various Italian branches and outside Italy through Bipielle Bank (Suisse) and the Bank's London branch. The Bank is a member of several Italian regulated financial markets such as the *Mercato Telematico dei Titoli di Stato* (the screen-based market for Italian government securities), and the *MIF-Mercato Italiano dei Futures* (the Italian futures exchange).

The BPI Group's underwriting and placement operations consist mainly of participating in secondary roles in underwriting syndicates for Italian and international issuers of securities, primarily through Efibanca. The Bank also provides management consulting services which the Bank intends to expand, focusing primarily on small- and medium-size companies.

Asset Management

The Bank's asset management activities include mutual fund management, private banking, trust management, distribution of insurance products and investment advisory services. Products are distributed through the Bank, the retail banking networks of the BPI Group, Bipielle Network S.p.A.'s ("Nuova Bipielle Network") teams of financial consultants and Bipielle Bank (Suisse).

As at December 31, 2004, the value of the Bank's consolidated assets under management was approximately €20,587 million compared to approximately €17,899 million as at December 31, 2003.

The table below sets out the total assets under management and assets in custody of the BPI Group as at December 31, 2003 and 2004:

	As at December 31,	
	2003	2004
	<i>(millions of euro)</i>	
Individual portfolio management	6,985	8,321
Assets managed by mutual funds	9,347	9,747
Insurance products	1,567	2,519
Total managed funds	17,899	20,587
Assets under administration	12,038	15,960
Total	29,937	36,547

Mutual Funds

The Bank has consolidated the BPI Group's asset management activities into Bipielle Fondicri, which is primarily responsible for funds. The funds have been managed by Arca (mainly in the euro area) since January 2002 and Henderson Global Investor (mainly in other foreign countries) since November 2000. Bipielle Alternative Investments SGR S.p.A. and Bipielle International UK Ltd are the two branches which are in charge of the management of hedge funds.

As at December 31, 2004, Bipielle Fondicri's funds held assets of approximately €7,098 million.

The nine SICAV funds of Italfortune, with a total of approximately €194.6 million under management, are also managed by Arca.

As at December 31, 2004, Bipielle Alternative Investments SGR S.p.A. held assets of approximately €388.2 million, while Bipielle International UK Ltd held assets of approximately €115.5 million.

As at December 31, 2004, the total value of mutual funds distributed and managed by the BPI Group amounted to approximately €9,747.3 million, of which approximately €7,098 million was attributable to BPI Group companies and the remainder of which was attributable to the mutual funds of Arca distributed by the BPI Group. As discussed above Bipielle Fondicri has outsourced the management of funds to Arca and to Henderson Global Investor, in order to specialize in the management of private client assets. These contracts, called *Gestione Patrimoniale in Fondi* (management and asset allocation made with SICAV funds, "GPF") and *Gestione Patrimoniale Mobiliari* (management and asset allocation made primarily with stocks and bonds, "GPM"), contracts in Italy, provide value-added services which make such products more profitable to investors than standard mutual funds.

As at December 31, 2004, Bipielle Fondicri held approximately 72,119 contracts for GPF and GPM products, totalling approximately €4,073 million of assets under management. In December 2002, Bipielle Fondicri launched its version of guaranteed products which expose customers to the equity market, but with a limited downside risk.

In 2004, the BPI Group released a "total return" product which gives customers the opportunity to receive a yearly target return.

Finally, since January, 2000, the Bank has taken deposit of approximately €3.3 billion from institutional investors: approximately €2,900 million from insurance products, approximately €200 million from pension funds and approximately €200 million from other managements.

Private Banking

The BPI Group offers private banking services through the Bank's private banking unit, focusing not only on the client's financial needs but also on inheritance and insurance, corporate, real estate and consultancy

services for investment in art works. The private banking unit is organized into 22 sub-units, and employs 67 individuals, each of whom handles 55 family groups.

During 2004, new private banking facilities were opened in Cremona, Genova and Chiavari.

During 2005, the BPI Group intends to develop these services further by increasing the number of individuals working in its private banking unit. In addition, the BPI Group is developing its private banking services in Brescia through Banca Valori S.p.A., through a joint venture with the Hopa group.

As at December 31, 2004, the BPI Group had about €2.9 billion of assets under private banking management.

Bancassurance

The Bank has historically conducted its insurance activities through Eurovita Assicurazioni S.p.A. (“Eurovita”).

The BPI Group and the CGNU Group have formed a life insurance joint venture called Finoa S.r.l. (“Finoa”), held indirectly by the parties in equal shares. As at December 31, 2004, Finoa held 80.96 per cent. of the share capital of Eurovita.

In May 2004, Aurora Assicurazioni (Unipol Group) and Reti Bancarie entered into an exclusive distribution agreement for Aurora Assicurazioni life insurance products using the distribution network of the banks controlled by Reti Bancarie.

The total amount of the BPI Group’s insurance portfolio as at December 31, 2004 was approximately €2,518.6 million, compared to approximately €1,567.4 million as at December 31, 2003.

During 2004 a new company, Area Life International Assurance Ltd. (“Area Life”), became part of the BPI Group as a result of the acquisition of the Gruppo Area. Area Life reported €66 million in premiums for 2004.

Leasing

The BPI Group’s leasing activities are carried out through Bipielle Leasing. As at December 31, 2004, Bipielle Investimenti held 98.55 per cent. of the share capital of Bipielle Leasing.

Bipielle Leasing is active in a number of areas of financial leasing, including the leasing of ships. Its customer base includes both corporate and individual clients. In the year ended December 31, 2004, Bipielle Leasing executed 1,153 contracts with a total value of approximately €119.6 million.

Consumer lending activities

Bipielle Ducato S.p.A. (“Bipielle Ducato”), a wholly owned subsidiary of Bipielle Investimenti, is a leading Italian consumer lender, offering consumer financing, personal loans and credit cards. As at December 31, 2004, Bipielle Ducato had 62 branches and 92 operative offices and, according to ASSOFIN (the Italian Association for Consumer Credit and Mortgages), was the fifth largest consumer credit company in Italy.

Medium- to Long-Term Lending and Merchant Banking

The BPI Group is active in medium- and long-term financing of domestic and foreign businesses and merchant banking services throughout Italy, through its subsidiary, Efibanca, which is listed on the Register of Italian Banking Institutions. Efibanca funds its activities through the savings market, principally by means of issuing bonds and certificates of deposit as well as by raising finance on the inter-bank market.

Distribution Network

The BPI Group’s products and services are distributed through the BPI Group’s branch network and, for certain products, through the network of financial consultants. As at December 31, 2004, the BPI Group had 970 branches and 1,236 financial consultants. On the basis of a co-operation agreement signed on November

16, 1999, the BPI Group's investment and insurance products and services are distributed by Banca Popolare di Puglia e Basilicata S.c.a r.l. through approximately 106 branches.

Risk Management

The principal categories of risk inherent in the Bank's business are credit risk, market risk, liquidity risk and operational and legal risk. The Bank's risk management policy is designed to identify and analyze these risks, set appropriate limits, and continually monitor these risks and limits by means of advanced administrative and information systems. In addition, the BPI Group's risk management policies and systems require continuous modification and enhancement to reflect dynamic changes in markets and products and relevant regulations.

The guidelines for the BPI Group's risk management are established by the Bank's Board of Directors, and in particular, by its executive committee, risk committee and the managing director. In particular, the executive committee establishes the BPI Group's risk management strategies on the basis of the periodic data collected and developed by the Strategic Planning Division (*Direzione Pianificazione Strategica*). All results are summarized in a periodic, standardized reporting system prepared for the Board of Directors, the Risk and Strategy Committees and the Directors.

The BPI Group's overall risk exposure is monitored by a dedicated unit, the Risk Management Department, operating within the Strategic Planning Division.

Credit Risk

Credit risk is the risk that a counterparty to a financial contract with the Bank or one of its subsidiaries engaged in lending will fail to perform according to the terms and conditions of such contract and cause the BPI Group to suffer a loss. The risk arises from the BPI Group's financing, trading and investment activities, which take the form of loans, investment securities, risk participations and trading account assets or derivative instruments. In 2004, the development of the BPI Group's internal rating system continued, pursuant to the recommendations of the Basle Committee's "International Convergence of Capital Measurement and Capital Standard – a revised framework," (June 2004).

Credit Evaluation and Approval

The guidelines for the BPI Group's loan evaluation and approval are established by the Board of Directors of the Bank, and in particular, by its executive committee, risk committee and the managing director. The BPI Group follows selective lending policies based on knowledge of its retail and corporate customers acquired through an established presence in its core markets. Each application for a loan is evaluated individually on the basis of a number of factors. In 2004, the BPI Group activated a new credit evaluation system at the Bank, called the Matrix, which will be extended at the Group level during 2005. The Matrix is based on the following client segments: large corporate, corporate, small business and retail.

Loans are applied for at the branch level. The BPI Group's internal credit guidelines define three classes of risk: (a) unsecured full risk, or loans with no guarantees or security, (b) partially secured self-liquidating risk, or partially guaranteed loans, and (c) fully secured guaranteed risk. Decisions on the amount of credit to extend are approved at different levels of the BPI Group's management structure, ranging from branch managers up to the Board of Directors of the Bank, depending on the customer's risk classification.

Credit assessments are based on a variety of factors, including the borrower's financial statements, credit history, market and competitive position, discussions with its management, guarantees or other forms of collateral offered, intended use of proceeds and industry trends. For certain loans, especially those with medium-to long-term maturities, cash flow projections are also analysed. Analyses are carried out taking into account the financial conditions of the group to which the borrower belongs, especially where the guarantees are provided by companies which belong to the borrower's group. The BPI Group's overall exposure to the loan applicant is also taken into account. In addition, credit evaluation is made mostly on the basis of individual counterparty assessment but also in line with the BPI Group's overall goals of geographic and sectoral diversification and emphasis on selective lending policies.

The principal categories of security supporting the BPI Group's secured lending are real estate security and third party guarantees. Before any member of the BPI Group extends credit supported by real estate security, a report by an independent appraiser is generally required.

As noted above, the authority to approve credit extensions by members of the BPI Group is organized as a "cascade" of delegated authority descending from the Board of Directors through the branch network whereby each level in the hierarchy has approval limits based on the size and types of the loan. A loan that exceeds the lending limits of the branch where the application is made, but otherwise receives a positive evaluation by that branch, is referred to a higher level in the hierarchy.

The Bank of Italy and EU guidelines impose certain limits on the credit facilities which can be made available by a banking group or by a bank to any one customer or customers classified as a group. (See "Regulation and Supervision—Italian Banking Regulations"). As at December 31, 2004 the Bank and the BPI Group were in compliance with such limits.

Credit Review Policies

Credit monitoring is carried out monthly through the Credit Position Control which automatically analyzes relevant information in order to identify indications of credit deterioration. In addition, a new tool, the Dependence Rating, has recently been added. The Dependence Rating evaluates the risk profile of the loan portfolios of individual branches, geographic groupings of branches and banks within the BPI Group. Responsibility for credit monitoring lies with the Credit Monitoring Division.

Each bank in the BPI Group measures the performance of its loan portfolio by reference to classification criteria established by the Bank of Italy. The loans are classified into "performing" loans ("*crediti in bonis*") "troubled" loans ("*incagli*"), "bad" loans ("*sofferenze*") and "restructured" loans ("*ristrutturati*"). The BPI Group keeps separate records of loans exposed to country risk. In accordance with Italian regulations, the Bank must report its loan classification monthly to the Bank of Italy. Management evaluates and estimates each loan included among troubled or bad loans monthly, and, if necessary, records a specific provision for the expected loss.

Troubled Loans

Under Bank of Italy regulations, "troubled" loans are loans to customers which, in the relevant bank's assessment, are experiencing financial difficulties that are likely to be temporary and other loans where management believes there is some likelihood of loss. Each bank in the BPI Group maintains a troubled loan list to monitor the quality of its loan portfolio, and to identify loans that warrant increased management attention. Any increase in credit lines for a customer on the troubled loan list can only be approved by the appropriate reviewing body, after the Credit Monitoring Division has approved the increase.

Bad Loans

Also pursuant to Bank of Italy regulations, each bank in the BPI Group classifies a loan as "bad" not merely on the basis of whether or for how long a payment is overdue, but when the borrower is in insolvency proceedings or when the relevant bank or any other creditor initiates legal proceedings in respect of any debts of the relevant borrower. Under the relevant regulations, a bank must also classify a loan as bad if the borrower is experiencing financial difficulties that are not likely to be temporary and which would warrant the initiation of legal proceedings, even if such proceedings have not yet been initiated. Identification of a loan as bad generally triggers a demand on the borrower (and, in most cases, if applicable, on any guarantor) for repayment by a specified date.

Restructured Loans

"Restructured" loans are loans made by a pool of banks (or a single bank) where a moratorium in respect of repayment thereof has been granted and the rate of interest has been renegotiated at a lower rate or at market rate. Loans to companies which have ceased trading or are insolvent are excluded from this category. The

restructured part of the loan only needs to be disclosed as a troubled or bad loan when the renegotiated terms are no longer compatible with the market.

Country Risk

“Country risk” relates to problems of solvency in countries where there are difficulties in respect of the service of foreign debt. All Italian banks which own assets of countries not included in the “no-risk zone” (*Zone A*) must depreciate either the loans or the exposure and risk positions either by an analytical method based on rates and procedures authorized by the Bank of Italy, or a lump assessment at the current rate of 30 per cent. The devaluations must be applied only to those assets which are not specifically guaranteed against political and economic risks, starting from the assets’ net value after the balance sheet write-downs. The devaluation procedures are set up to be half-yearly, however all Italian banks must report monthly to the Bank of Italy on their positions in respect of each country.

Write-downs and Provisioning

Bad and troubled loans are shown on the balance sheet at their outstanding principal balance net of a provision for the expected loss. Under existing Italian law, loan write-downs are deductible for tax purposes in the same accounting period up to a maximum amount of 0.6 per cent. of the aggregate of total loans. The excess over this limit is deductible on a straight-line basis over the following nine years. These limits do not apply to loans to borrowers in bankruptcy proceedings, write-downs on which are fully deductible in the same accounting period. Italian banks are also allowed to book a tax deductible provision for the entire amount of the recorded default interest and, thus, do not pay income tax thereon unless and until received. Under the accounting practices of the BPI Group, default interest is wholly provided for.

The BPI Group also creates general reserves sufficient to cover the estimated amount of losses of principal and interest inherent in performing loans based on an estimate of amounts which, although not specifically identified, are expected to become bad loans. The adequacy of the reserves and the need to make further provisions is based on current knowledge and past experience regarding the ultimate collection of loans. The BPI Group believes that its provisions for specific troubled and bad loans are conservatively determined. Pursuant to Bank of Italy guidelines, the banks in the BPI Group are required to create provisions for loans exposed to country risk.

The table below sets out the BPI Group's loans to customers by performing loans and categories of classified loans as at December 31, 2003 and 2004.

	As at December 31, 2003	% of Total Gross Loans to Customers	As at December 31, 2004	% of Total Gross Loans to Customers
	<i>(Audited) (millions of euro)</i>		<i>(Audited) (millions of euro)</i>	
Performing loans	25,980	95.5%	24,832	94.4%
Non-secured loans subject to "country risk"	12	0.04%	33	0.13%
Troubled loans	509	1.87%	527	2.00%
Bad loans	525	1.94%	680	2.59%
Restructured loans	178	0.65%	232	0.88%
Total gross loans to customers.....	27,204	100.0%	26,304	100.0%
Writedowns of credit risks	383		428	
Provision for performing loans.....	65		63	
Total writedowns.....	448		491	
Total net loans to customers	26,756		25,813	

Market Risk

Market risk can be defined as the risk of loss resulting from adverse changes in those financial markets affecting the assets and liabilities of the BPI Group. Exposure to such risk is a consequence of financing, dealing and investment businesses and arises from many diverse factors affecting prices, such as the level of interest rates in each currency in which the BPI Group operates, the correlation between interest and exchange rates in different markets as well as volatility in the levels of interest and exchange rates stock prices. Limiting potential losses that can arise from adverse changes in market conditions is a key element in managing market risk. Market risk is monitored by the BPI Group on a daily basis by the Risk Management Department. The BPI Group's primary mechanism for managing and monitoring of market risk arising from its trading portfolio activities and related derivative positions is the Value-At-Risk methodology ("VAR"). VAR estimates are calculated on a regular basis for the BPI Group. The VAR methodology estimates the potential losses which might arise from certain adverse market movements given a specified time period for liquidating positions and a pre-defined confidence level (expressed as a percentage). The adverse market movements are evaluated on the basis of a 99 per cent. confidence interval and a holding period of one business day and calculated using the historical simulation method.

During 2004, market risks on the BPI Group's trading portfolio recorded a decreasing trend, remaining well within the established limits.

While the VAR is an important risk management device, it is not the sole control measure used within the market risk management process. Other internal limits are also used and include net open positions, equivalent positions, relative maturities and stop loss. The use of these additional measures enables management to monitor market risk further. The use of statistical VAR and other conventional limits is complemented in certain cases by sensitivity analyzes which are performed in parallel with VAR analyzes to assess the impact of hypothetical changes in the market conditions.

The effects that unexpected changes in market conditions can have on the profits of the BPI Group and on the economic value of its assets and liabilities are measured constantly. The effects on profits are measured by evaluating the change in interest margin expected at 12 months for a rate shift of 100 basis points in both directions. The effects on the value of assets and liabilities are evaluated by measuring the variation in net assets for a rate shift of 200 basis points in both directions.

The table below sets out a comparison of risk indicators as at December 2003 and 2004.

Risk indicators	As at December 31,		
	bp shift	2003 (%)	2004 (%)
Interest margin/Interest margin expected at 12 months	-100 bp	-4.17	-4.18
	+100 bp	4.69	5.02
Net Asset Value/Supervisory Capital	-200 bp	-5.47	-5.81
	+200 bp	5.70	5.85

Derivatives

The BPI Group's derivatives activities are conducted exclusively by the Bank. The BPI Group holds or issues derivatives primarily for hedging purposes. The BPI Group's objective is the management of interest rate and foreign exchange risk arising out of its brokerage and dealing operations. The BPI Group closely monitors the potential impact of derivative transactions on its results and of operations on its financial condition.

Liquidity Risk

Liquidity risk management is intended to ensure that, even under adverse conditions, a bank has access to the funds necessary to cover client needs, maturing liabilities, and the capital requirements of the bank's operations. Liquidity risk arises in the general funding of financing, trading and investment activities and in the management positions. It includes both the risk of unexpected increases in the cost of funding a bank's asset portfolio at appropriate maturities, and the risk of being unable to liquidate a position in a timely manner at a reasonable price.

The BPI Group's liquidity risk management and planning is co-ordinated by its financial markets division (*Divisione Mercati Finanziari*). The monitoring of the BPI Group's structural liquidity profile is carried out using maturity and sensitivity methodology by quantifying the imbalances in maturing cash flows, by settlement date, principally in the first months of the time horizon over which the analysis is made. Special emphasis is placed on the planning of the BPI Group's funding, through bonds as well as through subordinated debt issues, in accordance with capital management needs.

The BPI Group's banks and other subsidiaries maintain diverse sources of liquidity to provide flexibility in meeting funding requirements. The BPI Group funds its operations principally by accepting deposits through its branch network. The BPI Group is also a borrower on a short-term basis in the interbank markets in Italy and abroad and issues medium- and long-term debt securities, particularly to fund medium- and long-term loans. Loan maturities, income from the Bank's investment portfolio and foreign exchange and securities dealings also provide liquidity.

The table below sets out the maturity profile of assets and liabilities for the BPI Group as at December 31, 2004.

	Duration:							
	On demand	Up to 3 months	From 3 to 12 months	From 1 to 5 years		Over 5 years		
				Fixed Rate	Floating Rate	Fixed Rate	Floating Rate	Indefinite maturity
<i>(millions of euro)</i>								
Assets ⁽¹⁾	10,501	9,254	10,505	11,225	7,336	2,156	4,640	1,064
Treasury bonds eligible for refinancing	0	0	74	3	12	127	0	0
Due from banks	887	1,982	132	3	72	15	5	228
Loans to customers	9,230	2,364	2,592	1,686	5,061	518	3,689	672
Bonds and other debt securities	3	51	1,124	312	1,277	230	933	164
Off-balance sheet items ..	381	4,857	6,583	9,221	914	1,266	13	0
Liabilities ⁽²⁾	12,977	12,673	12,474	6,933	8,848	2,408	1,696	858
Due to banks	642	3,700	355	92	85	7	94	0
Due to customers	12,208	1,565	108	1	4	136	5	1
Debt evidenced by certificates	100	817	2,931	1,556	7,281	616	817	588
Bonds	3	403	2,629	1,451	7,273	570	694	588
Certificates of deposit ..	46	414	302	105	8	0	0	0
Other securities	51	0	0	0	0	46	123	0
Subordinated liabilities ..	0	1	50	56	432	650	749	100
Off-balance sheet transactions	27	6,590	9,030	5,228	1,046	999	31	169

⁽¹⁾ Includes only treasury bills and other bills eligible for refinancing with central banks, loans and advances to credit institutions, loans and advances to customers, bonds and other debt securities and certain off-balance sheet items.

⁽²⁾ Includes only amounts owed to credit institutions, amounts owed to customers, debts evidenced by certificates, subordinated liabilities and certain off-balance sheet liabilities.

The BPI Group's principal source of funds is its strong retail deposit base, which consists primarily of demand, savings and time deposits, certificates of deposit, bonds and customer repurchase agreements. The Bank and Bipielle Bank (Suisse) also supplement the BPI Group's funding requirements with borrowings from domestic and international banking institutions, consisting of short-term liabilities and long-term debt obligations. In addition, Italian banking regulations require the Bank and its Italian bank subsidiaries to comply with certain liquidity requirements. Management believes that the Bank is in compliance with such regulations.

Operational and Legal Risk

The BPI Group has established guidelines directed at identifying, managing and quantifying operational, legal and other risks across the BPI Group's banking, financial, insurance and service activities. The underlying methodology is in line with Basle II guidelines.

Internal Audit

The Bank's internal audit department is responsible for auditing and testing compliance with internal procedures including accounting controls and credit approval procedures. The internal audit department audits each branch and the head office, and branches generally undergo an audit every three years on a rotating basis. Although the audits are performed on a periodic basis, they are conducted on an unscheduled basis. The internal audit department audits the contracts for compliance with BPI Group standard forms and, where applicable, the relevant documentation is obtained in accordance with BPI Group guidelines by the branch.

Duration and Objects of the Bank

The Bank has a duration, as set out by its by-laws (*Statuto*), until December 31, 2100.

The Bank's corporate purpose, as set out in Article 3 of the Bank's by-laws, are the collection of savings for, and the granting of credit (including through its banking subsidiaries) to, shareholders and third parties.

The Bank may, within the limits of applicable laws and regulations, carry out any other activities that serve to achieve its objects.

As the holding company of the BPI Group, the Bank is empowered to co-ordinate the activities and management of the BPI Group in accordance with Bank of Italy regulations.

Share Capital

As at December 31, 2004, the Bank's issued and outstanding share capital was €885,127,227.00 fully paid-up, and divided into 295,042,409 ordinary shares with a nominal value of €3.00 each. The shares are in registered form.

In accordance with applicable Italian law and the Bank's by-laws, the share capital of the Bank is variable. The Bank's Board of Directors determines, taking into consideration the asset reserves appearing in the Bank's latest approved financial statements, the issue price of any new ordinary shares.

Italian law limits the aggregate amount of ordinary shares that can be held by a shareholder to a maximum of 0.50 per cent. of the Bank's share capital. In the event that this maximum is exceeded, the shareholder must sell the amount of shares exceeding the 0.50 per cent. limit within one year of notice being given by the Bank of the breach of this limit. This ownership limitation does not apply to certain funds and other entities that invest in securities on behalf of groups of investors (*organismi d'investimento collettivo in valori mobiliari*).

Management

Board of Directors

Pursuant to its by-laws, the Bank's Board of Directors is elected by its shareholders at a general meeting and is made up of between 14 and 20 members. The current Board of Directors has 17 members. The table below sets out the names, roles, years of birth and principal activities of the current members of the Board of Directors, as well as the years when their terms will expire.

Name	Position	Year of Birth	Expiry of Term**	Principal activity
Giovanni Benevento (*)	Chairman	1935	2005	Accountant
Desiderio Zoncada (*)	Assistant Deputy Chairman	1935	2007	Entrepreneur
Giorgio Olmo (*)	Deputy Chairman	1943	2005	Entrepreneur
Gianpiero Fiorani (*)	Managing Director	1959	2007	Executive
Giorgio Chiaravalle	Director	1935	2006	Lawyer
Francesco Ferrari (*)	Director	1942	2007	Entrepreneur
Carlo Gattoni	Director	1946	2007	Entrepreneur
Erich Mayr	Director	1936	2007	Executive
Luigi Amato Molinari	Director	1939	2005	Executive
Carlo Pavesi	Director	1946	2006	Engineer
Domenico Lanzoni (*)	Director	1944	2005	Consultant
Antonio Premoli	Director	1937	2007	Accountant
Osvaldo Savoldi	Director	1948	2007	Entrepreneur
Enrico Tessera	Director	1939	2006	Executive
Giammaria Visconti di Modrone	Director	1935	2007	Entrepreneur
Domenico Zucchetti (*)	Director	1938	2006	Entrepreneur
Guido Duccio Castellotti	Director	1947	2005	Executive

(*) Member of the Executive Committee.

(**) Term expires on approval by shareholders of the financial statements for the relevant year.

The directors are elected by a majority vote of the shareholders and hold office for a period of three years. In order to be appointed, they must themselves hold shares in the Bank. Directors may be re-elected for consecutive terms.

The general shareholders' meeting elects the Chairman of the Board of Directors and the Deputy Chairman. Where the shareholders' meeting fails to do so, the Board of Directors chooses the Chairman and the Deputy Chairman from amongst its members. The Chairman of the Board convenes Board meetings and supervises the implementation of Board resolutions and the general administration of the Bank. In the event of the absence of the Chairman or his inability to act, the Chairman is replaced by the Deputy Chairman and, in the event of the Deputy Chairman's absence or inability to act, he is replaced by the longest-serving Director unless the Board determines otherwise. The Directors are domiciled at the Bank's registered offices for the purpose of their office. Pursuant to the Bank's by-laws, the Board of Directors also nominates an Executive Committee from its own members. The current members of the Executive Committee are shown in the table above.

Board of Statutory Auditors

Pursuant to Italian law, in addition to electing the Board of Directors, the Bank's shareholders also elect a Board of Statutory Auditors or internal auditors (*Collegio Sindacale*) composed of five independent experts in accounting matters. Pursuant to the Bank's by-laws, shareholders also elect two Alternate Auditors who will automatically replace any Statutory Auditor who resigns or is otherwise unable to continue in that role.

The table below sets out the current members of the Board of Statutory Auditors, their respective office and years of birth:

Name	Title	Year of Birth
Gianandrea Goisis	Chairman	1945
Roberto Araldi	Statutory Auditor	1942
Aldino Quartieri	Statutory Auditor	1949
Francesco Vesce	Statutory Auditor	1933
Paolo Giacinto Bonazzi	Statutory Auditor	1954
Carlo Lazzarini	Alternate Auditor	1966
Enrico Pernigotto	Alternate Auditor	1945

The current Board of Statutory Auditors will remain in office until the shareholders' meeting in 2008, approving the financial statements for the year ending December 31, 2007. Members of the Board of Statutory Auditors are elected by the shareholders for a three-year term and may be re-elected. Members of the Board of Statutory Auditors may be removed only for just cause (*giusta causa*) and with the approval of an Italian court.

Board of Arbitrators

Pursuant to its by-laws, the Bank has a board of arbitrators (*Collegio di Probiviri*) (the "Board of Arbitrators") charged with the responsibility of resolving in an amicable manner any disputes which may arise among the Bank's shareholders or between shareholders and the Bank. In addition, the Board of Arbitrators examines any applications submitted by parties for entry onto the Shareholders' Register which have been rejected by the Board of Directors.

The Board of Arbitrators is composed of five acting members and two alternate members elected by the shareholders. The persons appointed as Arbitrators must hold shares in the Bank and must not hold any office within the BPI Group. The Arbitrators are appointed for a three-year term and may be re-elected for subsequent terms. The current Board of Arbitrators, who will remain in office until the shareholders' meeting in April, 2007, and will approve the Bank's financial statements for the year ending December 31, 2006, is composed of the following members:

Name	Title	Year of Birth
Gino Vismara	Chairman	1925
Vittorio Locatelli	Standing member	1942
Giovanni Molinari	Standing member	1934
Giuseppe Bussi	Standing member	1933
Attilio Garbelli	Standing member	1938
Gaetano Cornalba	Alternate member	1937
Bruno Pezzini	Alternate member	1940

Independent Auditors

The shareholders' meeting of April 21, 2001 appointed the audit firm Arthur Andersen S.p.A. as auditor of the Bank and, consequently, as principal auditor to the BPI Group for the three-year period 2001-2003. During 2002, Arthur Andersen S.p.A. terminated its affiliation with the Andersen Worldwide network and entered into an agreement to associate with the Deloitte Touche Tohmatsu international practice, through an agreement with that network's Italian member firm, Deloitte & Touche S.p.A., and changed its business name to "Deloitte & Touche Italia S.p.A." These events had no impact on the legal and statutory relationship between the Bank, and the audit firm appointed in accordance with the Financial Act, whose continuing registration in the register of audit firms maintained by CONSOB in accordance with Article 161 of the Financial Act was confirmed in CONSOB resolution (*delibera*) no. 13922 of February 4, 2003. Accordingly, the auditors' reports on the Bank's consolidated and unconsolidated financial statements as of and for the year ended December 31, 2002 were issued under the new business name "Deloitte & Touche Italia S.p.A.", with offices at Via della Moscova 3, Milan, Italy.

On July 31, 2003, Deloitte & Touche Italia S.p.A. sold-off its audit business to a newly incorporated company, that is the current Deloitte & Touche S.p.A., which combines the ongoing businesses of the two previously existing Italian entities affiliated to the Deloitte Touche Tohmatsu international network and is registered with CONSOB. As a result of this sale, Deloitte & Touche Italia S.p.A.'s engagement as external auditors to the Bank for the three-year period covering the 2001 to 2003 financial years automatically transferred to the new entity Deloitte & Touche S.p.A.

The shareholders' meeting held on April 24, 2004 reappointed Deloitte & Touche S.p.A. as the Bank's external auditors for each financial year in the three-year period from 2004 to 2006. Deloitte & Touche S.p.A. has audited the consolidated and non-consolidated annual financial statements of the Bank for the years ended December 31, 2003 and 2004. Such financial statements, together with the auditors' audit reports thereon are contained in this Offering Circular as Annex A.

Under Italian securities regulations, the BPI Group's annual financial statements must be audited by external auditors appointed by the shareholders. The appointment is communicated to CONSOB. The external auditors examine the BPI Group's accounts and issue an opinion regarding whether the BPI Group's financial statements are presented fairly in all material respects. Their opinion is made available to the Bank's shareholders prior to the annual general shareholders' meeting.

Employees

Because the Bank is a co-operative bank, its by-laws require it to distribute 3 per cent. of its net profits as a dividend to its employees at the end of each year. The Bank's Board of Directors determines each year the form and timing of such dividends as well as their allocation between employees based upon seniority and ability. As at December 31, 2004, the BPI Group had 8,706 employees.

The Bank believes that current relations with its employees are satisfactory.

Legal Proceedings

The BPI Group is subject to certain claims and is a party to a number of legal proceedings relating to the normal course of its business. Although it is difficult to determine the outcome of any such claims and proceedings with certainty, the Bank believes that liabilities relating to such claims and proceedings are unlikely to have, in the aggregate, a material adverse effect on its consolidated financial condition or results of operations. Nevertheless, the Bank has made a provision to the reserve for risks and charges for such claims and proceedings.

The provision as of December 31, 2004 covers an estimate of the liabilities foreseeable in relation to outstanding lawsuits and out-of-court proceedings in which the BPI Group is acting as defendant. No provisions have been made in the consolidated financial statements for claims for damages, requested by holders of financial instruments issued by companies in financial difficulty, given that BPI Group companies did not take part in the placement syndicates. In any case, the total amount concerned is not significant and the BPI Group does not believe that this is a contingent liability.

In terms of existing claims, a civil suit seeking €38.5 million in connection with the acquisition of the controlling interest in Banca Popolare di Crema was in the first instance decided in favor of the Bank by the Court of Milan on June 10, 2004, which rejected all the pleas of the plaintiff and third-party interveners and ordered these parties to pay the Bank's legal costs. This case is currently being appealed, following the notification of appeal to the Bank in July 2004.

There are a number of disputes outstanding before the Civil Court of Trento brought by customers of Banca Popolare del Trentino, which merged with the Bank on October 26, 2003. Ten of these disputes have been brought by customers of the former Banca Popolare di Trentino seeking compensation for alleged losses suffered as a result of misappropriations carried out by a former employee following current account debits and financial markets transactions carried out without client authorization.

In addition, the Bank and a number of banks of the BPI Group have been served claims by the bodies involved in the extraordinary administrative proceedings pertaining to the Parmalat Group which have brought claw-back actions involving substantial sums. The initial hearings were postponed to September 27, 2005. The BPI Group has contested the claims.

On May 17, 2005, the Milan prosecutor's office initiated criminal investigations relating to allegations of insider trading, market manipulation and obstructing the operations of CONSOB with respect to the Bank's acquisition of BAV Shares prior to the annual general meeting of Banca AntonVeneta held on April 30, 2005. A member of the Bank's senior management has been included in the list of individuals currently under investigation, along with approximately 20 other individuals who are shareholders in Banca AntonVeneta. At the date of this Offering Circular, no formal charges have been brought in relation to these allegations.

The international press has reported that the EU Commission has been in contact with the Bank of Italy in relation to the review procedures it followed with respect to the ABN AMRO application to increase its shareholding in Banca AntonVeneta and to carry out the ABN AMRO Tender Offer. It has also been reported that the Bank of Italy and the Italian Government have replied, stating that they believe that the Bank of Italy acted appropriately.

The Italian press has recently reported that the Rome prosecutor's office opened an investigation into the Bank of Italy's review process in connection with the approval of the Bank's applications to increase its shareholding in Banca AntonVeneta as described under "—Proposed Acquisition of Banca AntonVenta Group – Background."

Recent Events

Name Change of the Bank

Effective June 27, 2005, the name of the Bank changed from "Banca Popolare di Lodi S.c.a r.l." to "Banca Popolare Italiana S.c.a r.l." The name change had no impact on the corporate form or the rights and obligations of the Bank.

Financial Results as at and for the Three Months Ended March 31, 2005

On May 13, 2005, the Bank issued a press release announcing details of the Bank's consolidated and non-consolidated financial results as at and for the three months ended March 31, 2005. The following information, which has not been subject to external review, is extracted from an English translation of that press release.

Consolidated BPI Group Results

The first quarter consolidated results for 2005 show a consolidated net profit of approximately €45.9 million, an increase of 42.46 per cent. as compared with the same period in 2004, without any extraordinary income (unlike in the first quarter of 2004 when extraordinary income amounted to approximately €7 million of consolidated net profit.)

In the first three months of 2005, the BPI Group generated consolidated gross profit totalling approximately €98 million comprising €45.9 million of profit generated directly by the BPI Group, €23.3 million derived from minority interests and €29.0 million of depreciation and goodwill.

The consolidated income statement for the three months ended March 31, 2005, when compared with the consolidated pro forma figures for the quarter ended March 31, 2004, show significant increases in the principal line items. The pro forma adjustments to the income statement for the three months ended March 31, 2004 reflect the consolidation of Gruppo Area as if the acquisition of that group had occurred on December 31, 2003. (See “– Activities – Asset Management – Bancassurance.”). Although a prudential policy was applied in relation to loans and interest rates have decreased, the interest margin on a consolidated basis for the first three months of 2005, at €228.7 million, is in line with the €232.1 million registered for the first quarter of 2004. During the same period, consolidated income from services increased to €214.3 million, or 22.5 per cent., compared to €174.9 million for the first quarter of 2004 and includes an increase in income from commissions and other operating income of 4.74 per cent., to €162.1 million. Total consolidated banking income was €442.9 million for the three months ended March 31, 2005, an increase of 8.83 per cent. over €406.9 million for the same period in 2004.

Consolidated net operating income increased to €221.0 million, or 22.85 per cent., compared to €179.9 million for the same period in 2004. Contributing to this result was the BPI Group's cost control policy which led to a decrease of 2.28 per cent. in operating costs, a decrease of 3.59 per cent. in personnel costs and a decrease of 3.58 per cent. in administrative expenses.

Consolidated profit from ordinary business totalled €117.1 million for the first quarter of 2005, an increase of 45.49 per cent., as compared with €80.5 million for the same period the previous year. Consolidated total net profit was €69.2 million, including €23.3 million in minority interests and €45.9 million generated directly by the BPI Group which, without the contribution of extraordinary income, showed an increase of 42.46 per cent., compared to €32.2 million for the three months ended March 31, 2004.

With respect to the balance sheet, total customer deposits on a consolidated basis totalled €67,860 million, an increase of 4.50 per cent. compared to €64,937 million as at March 31, 2004. Indirect funding on a consolidated basis increased 10.41 per cent. to €37,960 million, principally as a result of strong performance in managed savings (€20,729 million as at March 31, 2005, representing an increase of 0.51 per cent. over March 31, 2004), with wealth management up 6.71 per cent. and insurance products up 11.87 per cent., respectively, over the corresponding amounts as at March 31, 2004. Direct funding on a consolidated basis totalled €29,107 million, compared to €29,876 million as at March 31, 2004. Total funds under management on a consolidated basis amounted to €93,422 million as at March 31, 2005, compared with €90,853 million as at March 31, 2004.

Customer loans on a consolidated basis totalled €26,826 million as at March 31, 2005, an increase of 1.46 per cent. with respect to €26,441 million as at March 31, 2004. The ratio of non performing loans to total loans on a consolidated basis stands at 1.67 per cent. compared to 1.24 per cent. as at March 31, 2004 but still lower than the Italian banking system average.

Non-consolidated Results

The Bank generated net profit of €59.4 million for the first three months of 2005, an increase of 31.63 per cent., compared with €45.1 million for the three months ended March 31, 2004.

Among the principal income statement items, growth was registered in income from services which totalled €122.5 million for the three months ended March 31, 2005, an increase of 52.60 per cent. over the first quarter of 2004, whereas total banking income was €246.8 million for the three months ended March 31, 2005, an increase of 16.13 per cent. over the first quarter of 2004. The operating result for the three months ended March 31, 2005 increased to €125.7 million, compared with €96.6 million for the three months ended March 31, 2004, representing growth of 30.14 per cent. The cost to income ratio at March 31, 2004 was 49.09 per cent., an improvement over the 54.57 per cent. in the first quarter 2004. Profit from ordinary business grew to €71.5 million for the three months ended March 31, 2005, an increase of 42.35 per cent. compared to €50.2 million in the first quarter of 2004.

Total customer deposits as at March 31, 2005 increased 9.69 per cent. to €32,859 million compared to the figure as at March 31, 2004 and total funds under management as at March 31, 2005 grew by 24.49 per cent. to €64,765 million compared to the figure as at March 31, 2004. Total assets as at March 31, 2005 exceeded €30 billion, an increase of 5.57 per cent. compared to the figure as at March 31, 2004. Shareholders' equity increased by 4.13 per cent. to €3,120 million as at March 31, 2005 compared to €3,013 million as at March 31, 2004.

Proposed Acquisition of the Banca AntonVeneta Group

Background

On March 30, 2005, ABN AMRO Bank N.V. ("ABN AMRO") announced a plan to launch a public cash purchase offer (the "ABN AMRO Tender Offer") in Italy for all of the outstanding ordinary shares of Banca AntonVeneta (the "BAV Shares"), less the BAV Shares held directly and indirectly by ABN AMRO, at a price of €25.00 per BAV Share. The acceptance period in relation to the ABN AMRO Tender Offer commenced on May 19, 2005 and was to remain open until June 22, 2005. On June 10, 2005, ABN AMRO raised its tender offer price to €26.50 in cash per BAV Share and the acceptance period for the ABN AMRO Tender Offer was extended to July 6, 2005. As noted below, this constitutes an offer in excess of the Purchase Offer (€24.47 in cash) and the Exchange Offer (a combination of newly-issued ordinary shares of the Bank, existing ordinary shares of Reti Bancarie and cash, which combination is valued at €26.00). Subject to specific notice requirements, the acceptance period set forth by the ABN AMRO Tender Offer may be further extended at the sole discretion of ABN AMRO for an additional 15 days.

The acquisition of shareholdings in Italian banks above certain threshold levels is subject to prior authorization from the Bank of Italy. On March 30, 2005, ABN AMRO requested the authorization of the Bank of Italy to increase its holding of the outstanding share capital of Banca AntonVeneta above 15 per cent. (and it subsequently sought authorisation to increase its holding to 20 per cent. and 50 per cent.). The Bank of Italy responded on April 19, 2005, stating that because ABN AMRO was not regulated by the Bank of Italy, but by the Dutch central bank, the Bank of Italy would request certain information from the Dutch central bank in order to evaluate the request. The Bank of Italy subsequently authorized ABN AMRO to increase its holding of the outstanding share capital of Banca AntonVeneta to 29.9 per cent. on April 27, 2005, and above 50 per cent. on May 6, 2005. On May 9, 2005, ABN AMRO announced that it had received approval from the Bank of Italy to launch the ABN AMRO Tender Offer and, as a result, to acquire a shareholding in Banca AntonVeneta greater than 50 per cent. of the total outstanding share capital.

Following a request submitted to the Bank of Italy by the Bank on April 4, 2005, the Bank of Italy authorized the Bank to increase its holding above 15 per cent. up to a maximum of 29.9 per cent. of the outstanding share capital of Banca AntonVeneta on April 7, 2005. The Bank of Italy has not yet authorized the Bank to exceed 29.9 per cent. of the outstanding share capital of Banca AntonVeneta. Such authorization will depend, inter alia, on the presentation by the Bank of a capital reinforcement plan to bring the capital adequacy ratios of the proposed newly-enlarged banking group into compliance with Bank of Italy requirements.

On April 29, 2005, the Board of Directors of the Bank approved a plan to launch a public exchange tender offer (the “Initial Exchange Offer”) in Italy for all the BAV Shares not owned directly or indirectly by the Bank plus the currently outstanding Banca AntonVeneta bonds convertible into 22,693,447 BAV Shares (the “Convertible Bonds”). In a ruling dated May 10, 2005, CONSOB announced its finding that, for the period beginning from April 18, 2005, the Bank was part of an undeclared shareholders’ syndicate (the “Alleged AntonVeneta Shareholders’ Syndicate”) formed for the purpose of exercising a dominant influence on Banca AntonVeneta. CONSOB further stated that on April 19, 2005 the shareholding of the Bank, together with the shareholdings of the other shareholders participating in the Alleged AntonVeneta Shareholders’ Syndicate, had exceeded 30 per cent. of the outstanding share capital of Banca AntonVeneta. Under Italian law, a shareholder or group of shareholders acquiring more than 30 per cent. of the outstanding share capital of a company listed in Italy must launch a public tender offer to purchase, in this case for cash consideration, the remaining shares within thirty days from the date such percentage was acquired. The Bank announced its intention to challenge this ruling at the appropriate appeal court, the *Tribunale Amministrativo Regionale del Lazio* (the “TAR Lazio”), on May 11, 2005.

On May 12, 2005, the Board of Directors of the Bank approved the launch of a compulsory public tender offer (the “Purchase Offer”) to purchase for cash consideration the BAV Shares to be carried out concurrently with a new public exchange offer (the “Exchange Offer”, and together with the Purchase Offer, the “Offers”), replacing the Initial Exchange Offer. The Offers were included within the same prospectus. CONSOB subsequently requested further information in relation to consideration offered in the Exchange Offer and communicated that it would review the Purchase Offer separately from the Exchange Offer. The Bank modified the May 19, 2005 prospectus such that instead of including both Offers, it related only to the Purchase Offer, while a separate prospectus was filed in relation to the Exchange Offer on June 3, 2005. The prospectus relating to the Purchase Offer was approved by CONSOB on June 1, 2005. The Bank has requested approval from CONSOB to launch the Offers concurrently so that it may launch the Exchange Offer concurrently with the ABN AMRO Tender Offer.

On May 16, 2005, the Bank entered into an agreement (“the Shareholders’ Agreement”) with Emilio Gnutti, Fingruppo Holding S.p.A., G.P. Finanziaria S.p.A., Tiberio Lonati, Fausto Lonati, Ettore Lonati and Danilo Coppola (also through Finpaco Project S.p.A. and Tikal Plaza S.p.A.) (together, the “Signatory Shareholders”), pursuant to which, *inter alia*, the Signatory Shareholders have undertaken not to subscribe to the ABN AMRO Tender Offer. The execution of the Shareholders’ Agreement has been communicated to the market and notified to CONSOB. By entering into the Shareholders’ Agreement, the Bank and the Signatory Shareholders are required under Italian law to launch a compulsory public tender offer to purchase the BAV Shares for cash consideration. The Bank has undertaken to launch a compulsory public tender offer on behalf of the Signatory Shareholders as well. The obligation to launch a compulsory public tender offer, however, is independent of the CONSOB ruling described above and the decision of the TAR Lazio will not affect the decision of the Board of Directors of the Bank to proceed with the Purchase Offer.

Description of the Offers

The Offers contemplate the acquisition of all of the outstanding BAV Shares less the BAV Shares held by the Bank and the Signatory Shareholders. Provided the relevant authorizations are received from the competent regulatory authorities, holders of BAV Shares shall have the option to tender their BAV Shares pursuant to either the Exchange Offer or the Purchase Offer. The Offers will be public offers in the Republic of Italy but will not be carried out in the United States or in any other jurisdiction which would require prior authorization from the relevant regulatory entities. As at the date of the Shareholders’ Agreement, the Bank held 79,919,783 BAV Shares and the Signatory Shareholders held, in the aggregate, 31,285,484 BAV Shares representing, respectively, 27.72 per cent. and 10.85 per cent. of the outstanding share capital of Banca AntonVeneta.

As mentioned above, the Bank has requested approval from CONSOB to launch the Offers concurrently. Under the relevant Italian legislation, (i) in order to launch a tender offer concurrently with an outstanding tender offer, the prospectus for the successive tender offer must be approved by CONSOB and published within five business days before the conclusion of the current tender offer, and (ii) CONSOB has a review period of 15 days, during which it may provide comments and/or request further information on the

prospectus and the proposed transaction. The period in which BAV Shares may be tendered pursuant to either Offer may commence five business days after the prospectus for each has been published. Under Italian law, the acceptance period for a mandatory public tender offer is between 15 to 25 days, and the acceptance period for a voluntary public tender offer is between 25 to 40 days. An extension of the offer period may be agreed with CONSOB, subject to a maximum of 55 days. In addition to approval from CONSOB, the Offers are also conditional on authorization from the Bank of Italy, the Italian antitrust authority and the Italian insurance regulatory body, *Istituto per la Vigilanza sulle Assicurazioni Private e di Interesse Collettivo*. The authorization of the Bank of Italy will be contingent, *inter alia*, on the presentation by the Bank of a capital reinforcement plan to bring the capital adequacy ratios of the newly-enlarged banking group into compliance with Bank of Italy requirements.

The Purchase Offer

As described above, the Purchase Offer represents a compulsory public offer to purchase, for cash consideration, 177,058,504 BAV Shares plus 22,693,447 BAV Shares issuable upon exercise of the Convertible Bonds. The purchase price per BAV Share in the Purchase Offer has been determined in accordance with the relevant Italian legislation to be €24.47, which is lower than the purchase price per BAV Share offered pursuant to the ABN AMRO Tender Offer. The prospectus relating to the Purchase Offer was approved by CONSOB on June 1, 2005.

The Exchange Offer

The Exchange Offer replaced the Initial Exchange Offer and was a voluntary offer to acquire 208,343,988 BAV Shares, plus the 22,693,447 BAV Shares under issuable upon exercise of the Convertible Bonds. Under Italian law, the Exchange Offer was a competing offer to the ABN AMRO Tender Offer and, as such, was required to offer a higher consideration per share than that offered under the ABN AMRO Tender Offer. The proposed consideration offered for each BAV Share tendered pursuant to the Exchange Offer has been valued by the Bank at €26.00 (therefore representing an increase over the €25.00 per BAV Share offered pursuant to the original ABN AMRO Tender Offer, but less than the €26.50 per BAV Share offered pursuant to the ABN AMRO Tender Offer as amended on June 10, 2005), comprised of newly-issued ordinary shares of the Bank, ordinary shares of Reti Bancarie and a cash component (currently equal to €3.40 but subject to adjustment on the basis of the value of the shares offered in exchange). On June 15, 2005, the Bank issued a press release stating: (i) that it had been informed by CONSOB that, under Italian law, the Exchange Offer could no longer be considered a competing offer with the ABN AMRO Tender Offer following the increase in the consideration offered under the ABN AMRO Tender Offer; and (ii) that the Board of Directors had approved the Bank's revised Exchange Offer (the "Revised Exchange Offer") consisting of an increase in the consideration per BAV Share offered under the Exchange Offer to €27.50, comprised of newly-issued ordinary shares of the Bank, ordinary shares of Reti Bancarie and a cash component equal to €4.90 but subject to adjustment on the basis of the value of the shares offered in exchange. The press release also stated that, in addition to the consideration set out above, holders of BAV Shares who participate in the Revised Exchange Offer shall be entitled to receive €1.00 per BAV Share (the "Premium") tendered provided that they hold the ordinary shares of the Bank and the ordinary shares of Reti Bancarie received in exchange for each such BAV Share for not less than 18 months from the date the consideration is paid. Finally, the Bank communicated that, with respect to its request to the Bank of Italy for authorization to acquire control of the Banca AntonVeneta Group through the Purchase Offer and the Revised Exchange Offer, the Bank of Italy has suspended its authorization deadline until it has sufficient information to allow it to evaluate the structural and economic aspects of the proposed acquisition.

The Revised Exchange Offer was approved by CONSOB on June 28, 2005, however approval from the Bank of Italy has not yet been received.

Legal Matters

On May 21, 2005, the Court of Padua suspended the resolution of the annual general meeting of Banca AntonVeneta held on April 30, 2005, which had resolved, *inter alia*, upon the appointment of the new board of directors. On June 6, 2005, the Court of Padua confirmed the suspension of the directors of Banca

AntonVeneta, ruling that it lacked jurisdiction over the extension of the previous board of directors whose term expired on April 30, 2005. On June 13, 2005, Banca AntonVeneta issued a press release stating that on that date a meeting of its interim board of directors (comprised of the members of the board of directors in power immediately prior to the shareholders' meeting held on April 30, 2005) had been held in order to guarantee the continuity of the management of the bank. The board of directors convened a meeting of the shareholders of Banca AntonVeneta for July 25, 2005 in order to appoint a new board of directors as well as a new board of statutory auditors.

On May 17, 2005, the Milan prosecutor's office initiated criminal investigations relating to allegations of insider trading, market manipulation and obstructing the operations of CONSOB with respect to the Bank's acquisition of BAV Shares prior to the annual general meeting of Banca AntonVeneta held on April 30, 2005. A member of the Bank's senior management has been included in the list of individuals currently under investigation, along with approximately 20 other individuals who are shareholders in Banca AntonVeneta. At the date of this Offering Circular, no formal charges have been brought in relation to these allegations.

The international press has reported that the EU Commission has been in contact with the Bank of Italy in connection with the review procedures it followed with respect to the ABN AMRO application to increase its shareholding in Banca AntonVeneta and to carry out the ABN AMRO Tender Offer. It has also been reported that the Bank of Italy and the Italian Government have replied, stating that they believe that the Bank of Italy acted appropriately.

The Italian press has recently reported that the Rome prosecutor's office opened an investigation into the Bank of Italy's review process in connection with the approval of the Bank's applications to increase its shareholding in Banca AntonVeneta as described under "– Background."

Ratings

On April 29, 2005, Fitch placed the BBB+ and F2 long- and short-term senior debt ratings of the Bank on negative credit watch. On May 13, 2005, Moody's placed on review for possible downgrade the Baa1 and P-2 long- and short-term senior debt and deposit ratings, Baa2 subordinated debt ratings and C- financial strength rating of the Bank. The reviews of Fitch and Moody's are likely to focus on assessing the extent to which the Bank's acquisition strategy with regard to Banca AntonVeneta increases the Bank's risk profile.

Strategic Objectives

The Offers are the first step in the Bank's planned integration of the Banca AntonVeneta Group into the BPI Group, which would represent the creation of a new national banking group in Italy, uniting two strong regional banking groups. The proposed acquisition is in line with the BPI Group's strategy in terms of geographic expansion (see "Strategy" above) because the Banca AntonVeneta Group has traditionally operated in the Veneto region of Italy (an area where the BPI Group does not have a strong presence), although it has substantial operations in most Italian regions.

The Bank's underlying strategic objective is to create the sixth-largest national banking group in Italy in terms of total assets, which would rank first among similar Italian regional banks. The newly-formed banking group, BPI Group, would be among the largest in northern Italy, with the capacity to operate at a national level. In addition, the management of the Bank believes that this transaction would achieve economies of scale and create value for the BPI Group's investors and clients.

Financing and Guarantees

In the event that all of the outstanding BAV Shares are tendered pursuant to the Purchase Offer, the aggregate consideration required to be paid by the Bank would be €4,332,621,593, which could be increased by an additional €555,308,648 in the event that all the BAV Shares issuable on conversion of the Convertible Bonds are issued and tendered pursuant to the Purchase Offer (the "Purchase Offer Maximum Consideration Amount").

In the event that all of the outstanding BAV Shares (excluding the 31,285,484 BAV Shares held by the Signatory Shareholders) are tendered in the Revised Exchange Offer (as currently envisaged), the aggregate cash consideration required to be paid by the Bank would be €978,784,559.90, assuming that all the BAV Shares issuable on conversion of the Convertible Bonds (including BAV Shares issuable to the Signatory Shareholders on the conversion of any Convertible Bonds held by them) are issued and tendered pursuant to the Revised Exchange Offer (the “Exchange Offer Maximum Consideration Amount” and, together with the Purchase Offer Maximum Consideration Amount, the “Maximum Consideration Amounts”). In addition, in the event that the Bank is required to pay the Premium in respect of each BAV Shares tendered, the Exchange Offer Maximum Consideration Amount would be further increased by €199,751,951.00. This figure does not take into account the 31,285,484 BAV Shares held by the Signatory Shareholders although it does take into account BAV Shares issuable to the Signatory Shareholders on the conversion of any Convertible Bonds held by them. The Exchange Maximum Consideration Amount is subject to change based on any adjustments that may be required on the basis of the value of the shares offered in exchange.

Pursuant to Italian regulatory requirements, the Bank is required to provide evidence to CONSOB, prior to the start of the offer period in relation to either Offer, that it will be able to meet the obligation to pay in cash the relevant Maximum Consideration Amount. Therefore, on May 31, 2005 the Bank entered into a credit facility agreement (the “Credit Facility Agreement”) in an amount equal to €4.9 billion with a syndicate of lending banks (BNP Paribas, Dresdner Kleinwort Wasserstein, The Royal Bank of Scotland, Lloyds TSB and Deutsche Bank, collectively, as lead arrangers) to meet the Bank’s cash payment obligations under the Purchase Offer. The details of the Credit Facility Agreement were provided to CONSOB. The Credit Facility Agreement was entered into to finance the Purchase Offer, and the Bank is currently negotiating with the syndicate of lending banks to extend the financing to cover the Revised Exchange Offer as well.

In addition, the Bank’s funding strategy has been planned in order to meet the long term financial requirements of the Bank, to allow it to complete the acquisition of the Banca AntonVeneta Group and to maintain adequate liquidity for ordinary operations. The Bank’s shareholders approved a number of transactions designed to reinforce the capitalization of the Bank.

The Bank’s strategy is to fund the Offers from a number of sources. These sources include the Credit Facility Agreement described above as well as certain capital raising transactions as described below:

- a capital increase by the Bank of €1.5 to €1.7 billion;
- the issuance of hybrid capital securities by a member of the Group up to a maximum of €500 million;
- the issuance by the Bank of subordinated bonds (the “Subordinated Convertible Bonds”) convertible into ordinary shares of Bipielle Investimenti up to a maximum of €1 billion. The Subordinated Convertible Bonds will be convertible at the option of the Bank;
- the issuance by Bipielle Investimenti of a maximum of 137,343,451 ordinary shares of nominal value of €4.50 each to service the Subordinated Convertible Bonds;
- the issuance of subordinated notes convertible into shares of the Bank up to a maximum of €1.5 billion (see “—Rights Offering);
- the securitization of certain performing loans (commercial and home mortgages) in an aggregate of €1.8 billion (this transaction has already been commenced); and
- the sale of certain minority interests by the Bank for a total consideration of approximately €1 billion (see “—Sale of Certain Shareholdings”).

Regulatory Capital Information

Italian banking regulatory Tier I capital and total capital requirements are tested on June 30 and December 31 of each year, and the Bank must be able to meet the capital adequacy requirements as at those dates. The full impact of the proposed acquisition of the Banca AntonVeneta Group (assuming such acquisition to be

successful) on the Bank's regulatory capital will not be measured for the purposes of regulatory compliance until December 31, 2005.

At December 31, 2004, the Bank's total capital ratio was 9.64 per cent. Since January 1, 2005, the Bank has issued €300,000,000 (nominal value) of upper Tier II subordinated notes (March 2005), €300 million (nominal value) of lower Tier II subordinated notes (April 2005), and €100 million (nominal value) of Tier 3 subordinated notes (May 2005).

For the purpose of illustrating the effects of the acquisition of Banca AntonVeneta by the Bank, the Bank has prepared a pro forma presentation of the principal indicators in the consolidated financial statements as at and for the period ended December 31, 2004 (the "Pro Forma Presentation") based on certain hypothetical outcomes of the Offers. The Pro Forma Presentation is based on, *inter alia*, the current consideration per BAV Share under the Revised Exchange Offer.

Balance sheet adjustments are computed as if the effects of the consolidation had occurred on December 31, 2004, while the effects on the income statement are calculated as if they had occurred on January 1, 2004, in accordance with general Italian pro forma consolidation rules.

The Pro Forma Presentation takes into consideration the following:

- the Bank's capital increase to finance the Exchange Offer, up to €1,668,179,784;
- the purchase of the stake currently held in Banca AntonVeneta;
- issues of debt securities only up to the amount necessary to finance the purchase of the stake in Banca AntonVeneta currently held by the Bank; and
- the purchase of a further stake following a successful tender offer.

In the event that all of the BAV Shares (including those issuable on the conversion of the Convertible Bonds) are tendered in the Revised Exchange Offer, which would result in the acquisition of an aggregate 72.28 per cent. stake in Banca AntonVeneta, the Tier I and total capital ratios of the Bank are expected to be 5.4 per cent. and 9.9 per cent., respectively, taking into account the sale of certain minority interests as described under "—Sale of Certain Shareholdings; and the cash adjustment calculated with reference to weighted daily average share prices during the 10-day period ending June 14, 2005.

In the event that 40 per cent. of the BAV Shares are tendered in the Purchase Offer, the Tier I and total capital ratios of the Bank are expected to be 6.5 per cent. and 11.4 per cent., respectively. In the event that 50 per cent. of the BAV Shares are tendered in the Purchase Offer, the Tier I ratio and total capital ratio of the Bank are expected to be 5.2 per cent. and 9.7 per cent., respectively.

The projected Tier I ratios and total capital ratios not considering the capital increase, accounted for either (i) as an equity investment for regulatory purposes, or (ii) according to the equity method, are expected to be 8.4 per cent. and 8.5 per cent., or 6.0 per cent. and 8.8 per cent., respectively.

On a pro forma basis, assuming the consolidation of Banca AntonVeneta, as well as the capital enhancement transactions that have already taken place or that have been approved, the Bank believes that it will be able to meet its minimum regulatory capital requirements irrespective of the outcome of the Offers. The Bank's ability to foresee its capital requirements, to meet its regulatory capital obligations and to anticipate its Tier I and total capital ratios depend on a number of assumptions, among which the number and allocation of BAV Shares tendered pursuant to the Offers and the negotiations of, and market conditions relating to, the capital raising transactions mentioned above. Any or all of these assumptions may not prove accurate and deviations from these assumptions could result in regulatory capital results that differ materially from those shown above. As a result, prospective investors should not unduly rely on the Bank's projections or forecasts in relation to regulatory capital.

Description of Banca AntonVeneta and the Banca AntonVeneta Group

The information set out below with respect to Banca AntonVeneta and the Banca AntonVeneta Group has been extracted from the data published by Banca AntonVeneta, including the stand-alone and the consolidated financial statements of Banca Antonveneta as at and for the year ended December 31, 2004, as well as from other publicly available information.

Established in 1996 following the merger of two co-operative banks historically operating in northeastern Italy, Banca AntonVeneta is the parent company of the Banca AntonVeneta Group, a leading banking group in northeast Italy, with substantial operations in most Italian regions. The Banca AntonVeneta Group has traditionally operated in the Veneto region and has its headquarters in Padua. The Banca AntonVeneta Group provides a wide range of banking services and its core activities consist of retail banking, payment services, treasury and securities dealing and brokerage activities, asset management and private banking, *bancassurance*, and merchant banking.

At the publication date of this Offering Circular, Banca AntonVeneta's subscribed and paid-up share capital amounts to €864,791,313.00, consisting of 288,263,771 BAV Shares, each with a nominal value of €3.00. There is no subscribed share capital still to be paid-up. The share capital will be modified to the extent conversion rights are exercised by the holders of Banca AntonVeneta's outstanding Convertible Bonds (maximum of 22,693,447 BAV Shares). In the event that the conversion rights relating to all the Convertible Bonds are exercised, the subscribed and paid up share capital of Banca AntonVeneta would be increased to €932,871,654.00, represented by 310,957,218 BAV Shares.

The following tables set out information derived from the consolidated financial statements of Banca AntonVeneta approved by the shareholders of Banca AntonVeneta on April 30, 2005.

	Year ended December 31, 2004	Year ended December 31, 2003	Percentage Variation
Consolidated Profit and Loss Statement	<i>(in millions of euro)</i>		<i>(%)</i>
Net interest income	1,371	1,350	1.6
Dividends	17	32	(45.4)
Net commissions.....	557	520	7.1
Results from financial transactions.....	24	17	42.3
Other revenues	264	224	18.0
Net banking income	2,235	2,136	4.6
Operating expenses ⁽¹⁾	1,149	1,159	(0.9)
Operating income	1,077	975	10.5
Net income	283	(843)	n.s.

⁽¹⁾ Includes administrative expenses and other management costs.

	As at December 31, 2004	As at December 31, 2003	Percentage Variation
Consolidated Balance Sheet Statement	<i>(in millions of euro)</i>		<i>(%)</i>
Loans to customers	35,127	36,463	(3.7)
Total assets	45,432	47,604	(4.6)
Amounts owed to customers.....	19,506	19,456	0.3
Securities issued	14,653	16,629	(11.9)
Shareholders' equity	2,938	2,696	9.0

	As at December 31, 2004	As at December 31, 2003	Percentage Variation
Figures Relating to Supervisory Capital	<i>(in millions of euro)</i>		<i>(%)</i>
Tier I capital	2,301	2,086	10.3
Total capital.....	3,908	3,578	9.2
Risk-weighted assets.....	39,880	42,967	(7.2)
Tier I capital/ Risk-weighted assets	5.77%	4.85%	0.91
Total capital/ Risk-weighted assets.....	9.80%	8.33%	1.47

The following table illustrates significant economic or capital ratios of the Banca AntonVeneta Group in the periods indicated.

	Year ended December 31, 2004	Year ended December 31, 2003
Loans to customers/Total deposits ⁽¹⁾	102.8%	101.0%
Deposits/Shareholders' equity	11.6x	13.4x
Loans to customers/Shareholder's equity.....	12.0x	13.5x
Shareholder's equity/Average total assets	6.3%	5.6%
Doubtful loans (net)/Loans to customers (net)	2.4%	1.9%
Bad loans (net)/Loans to customers (net)	3.7%	2.8%
Bad loans (gross)/Loans to customers (gross)	8.7%	6.9%
Adjustments to loans ⁽²⁾ /Income from operations	119.8%	n.s.
Adjustments to bad Loans/Bad loans (gross) (<i>coverage ratio</i>)	60.8%	61.8%
Interest income ⁽³⁾ / Average total assets	3.0%	2.8%
Net banking income/Average total assets.....	4.8%	4.4%
Gross operating income/Average total assets.....	2.3%	2.0%
Net income/Shareholders' equity (ROE)	9.6%	n.s.
Income from operating activities/Average total assets.....	0.8%	n.s.
Net income/Average total assets.....	0.6%	n.s.
Deposits+loans to customers/Employees ⁽⁴⁾ (in millions of euro)	6.4	6.6
Net banking income/Employees ⁽⁵⁾ (in millions of euro)	0.2	0.2
Personnel costs/Net banking income	31.6%	32.4%

⁽¹⁾ Total deposits include loans owed to customers and loans represented by securities.

⁽²⁾ Net write-backs of adjustments to loans.

⁽³⁾ Includes dividends and other revenues.

⁽⁴⁾ Average number of employees.

⁽⁵⁾ Average number of employees.

Rights Offering

On June 16, 2005, the Bank announced that it would offer up to 188,059,928 ordinary shares of €3.00 par value to its existing shareholders and holders of bonds convertible into its ordinary shares at an offer price of €8.00 per ordinary share in the context of a rights offering in order to effect a capital increase of up to €1,504,479,424. Every two new ordinary shares issued will also have one warrant attached which will give holders the right to purchase one further ordinary share at a price equal to €11.00. The acceptance period for the rights offering commenced on June 20, 2005 and is expected to finish on July 15, 2005.

Sale of Certain Shareholdings

In June 2005, the Bank finalized the sale of certain shareholdings, characterized as minority interests from an accounting perspective, to third parties for total compensation of approximately €1 billion. As a result of this transaction, the Bank's Tier I capital will increase by approximately €700 million. In addition, amounts

to be deducted from the sum of Tier I and Tier II capital prior to the calculation of the Bank's total capital will be reduced by approximately €0.4 billion.

Agreement with Fondazione Cassa di Risparmio di Lucca

On May 6, 2005, the Bank entered into an agreement with Fondazione Cassa di Risparmio di Lucca (the "Fondazione"), in connection with a put option in favor of the Fondazione relating to the finalization of the acquisition by the Bank of its majority interest in Cassa di Risparmio di Lucca from the Fondazione. The parties agreed that the compensation to be paid by the Bank relating to the exercise of such put option amounted to €421 million, 15 per cent. of which to be paid in cash and 85 per cent. in financial instruments.

REGULATION AND SUPERVISION

Italian Banking Regulations

Overview

Structure of the Italian Banking System

Italy's banking industry was regulated for over 50 years by the Banking Act of 1936, a law that set out the structure of the banking industry and regulated specialised banking institutions. The application of the Banking Act of 1936 led to fragmentation and shielded the Italian banking system from competition. During the 1990s, the Italian banking system underwent a reorganization and consolidation process which led to growth in the average size of banks, and in the number of their branches, while reducing the total number of banks.

The reorganization is the consequence of changes in banking regulations as well as the competitive stimulus resulting from the liberalisation of European financial markets and the introduction of the euro. The main steps of the regulatory changes were the enactment of Law No. 218 of July 30, 1990 (the "Amato Law"), the privatization process, the implementation of EU banking directives (as consolidated in the Consolidated Banking Directive 2000/12/EC) and Legislative Decree No. 385 of September 1, 1993 (the "Consolidated Banking Act").

The current Italian banking regulations now largely mirrors the EU Second Banking Directive. The effect of the regulatory changes and Europe-wide liberalization has been a significant increase in competition and consolidation in the Italian banking industry.

The Privatization Process

The Amato Law encouraged consolidation and also encouraged banks controlled by governmental and public law entities to adopt a joint-stock structure and to strengthen their capital bases. Private participation in the newly formed joint-stock companies was permitted and encouraged.

The process was accelerated by the implementation of Law No. 474 of July 30, 1994 (the "Privatization Law") and the decree of the Treasury Ministry (now the Ministry of Economy and Finance) dated November 18, 1994 (the "Dini Directive"). These statutes permitted and promoted the sale of majority holdings of banks owned by the Ministry of Economy and Finance and by Italian banking foundations (considered public law entities) to the private sector. Certain fiscal incentives were provided for Italian banking foundations to reduce their stakes in a bank that converted into a joint-stock company under the Amato Law to below 50 per cent. If such requirements were met by the end of 1999, all capital gains arising from the public offerings or sales would be tax-free.

Furthermore, to encourage the reform, new incentives were introduced pursuant to Law No. 461 of December 23, 1998 (the "Ciampi Law"), which reorganized the regulatory framework of Italian banking foundations. Those incentives were under the scrutiny of the European Commission, pursuant to the procedure applicable to incentives which may affect fair competition. However, the European Commission decided on August 22, 2002 that fiscal measures introduced in 1998 and 1999 in favour of banking foundations were not subject to the European Union's state aid rules. This is because the European Commission did not consider as economic activities the management of own assets and the use of proceeds to extend grants to not-for-profit organizations.

Pursuant to the Ciampi Law, the banking foundations that modified their by-laws, progressively divested their stakes in banks and only maintain controlling interests in entities dealing with charitable purposes or the benefit of the community are considered private not-for-profit organizations operating for the benefit of the community. The Ministry of Economy and Finance is in charge of authorizing the sales of holdings in banks owned by foundations and the sales must be in compliance with transparency and non-discrimination criteria.

The deadline for the banking foundations to dispose of their control of banking institutions is December 31, 2005. The banking foundations must entrust their stakes in banking institutions to asset management companies (*società di gestione del risparmio*), which must be selected pursuant to certain criteria and must manage the stakes in a professional manner, independently of the foundations.

Implementation of the EU Second Banking Directive

With effect from January 1, 1993, the distinction between “ordinary credit institutions” and “special credit institutions” was formally eliminated (Legislative Decree No. 481 of December 14, 1992 (“Legislative Decree No. 481”), which implemented the Second EU Banking Directive). Banking activities are now performed by a single category of credit institutions, which can collect and demand savings deposits from the public, issue bonds and grant medium- and long-term credit, whether subsidized or not, subject to regulations issued by the Bank of Italy.

Italian banks are either: (a) banks incorporated as joint-stock companies (*società per azioni*) owned directly or indirectly by the private sector or by banking foundations; or (b) co-operative banks (*banche popolari* and *banche di credito cooperativo*, such as the Bank). In addition to the banking business, and subject to their by-laws and to financial services regulation, banks may engage in all the business activities that are subject to mutual recognition under the EU Second Banking Directive, and in certain other financial activities not listed therein.

European credit institutions may conduct banking business in Italy as well as those business activities that are subject to mutual recognition and are authorized to be carried out in their home country, *provided that* the Bank of Italy is informed by the entity supervising the relevant EU credit institution. Such supervising entity retains supervisory powers for stability purposes over the relevant EU credit institution (the “home country control” principle).

Consolidated Banking Act

With effect from January 1, 1994, the Consolidated Banking Act repealed and replaced, among others, the Banking Act of 1936 and Legislative Decree No. 481. Among the provisions of the Consolidated Banking Act are those concerning the role of the supervisory authorities; the definition of banking and related activities; the authorization of banking activities; the acquisition of equity participation in banks; banking supervision (on a non-consolidated and consolidated basis); special bankruptcy procedures for banks, and the supervision of financial companies. The resulting regulatory framework of the Italian banking system is described below.

Supervisory Authorities

Under the Consolidated Banking Act, the supervision and regulation of Italian banks are exercised by:

- the Interministerial Committee for Credit and Savings (the *Comitato Interministeriale per il Credito e per il Risparmio* or “CICR”). The CICR includes the Ministry of Economy and Finance and other economic ministries and acts upon proposals of the Bank of Italy. It has wide-ranging policy-making and guidance powers.
- *Ministry of Economy and Finance*. The Ministry of Economy and Finance has broad powers in relation to banking and other financial activities. Such powers include:
 - authorizing the establishment in Italy of the first branch of non-EU banks;
 - setting eligibility standards for holders of equity interests of a bank; and
 - setting the level of professional experience required from directors and executives of banks and other financial intermediaries.

The Ministry of Economy and Finance may, in cases of urgency, adopt measures which generally belong to CICR and may also fine banks and their managers with financial penalties and impose mandatory liquidation (*liquidazione coatta amministrativa*) or extraordinary administration (*amministrazione straordinaria*).

Bank of Italy

The Bank of Italy implements the policies set forth by CICR by adopting regulations and instructions concerning the following four main areas:

- capital requirements;
- risk exposure;
- acquisition of equity participations; and
- administrative and accounting organization and internal audit.

The Bank of Italy supervises the banking institutions through its own auditing body, granting authorizations and examining the reports that banks are required to file on a regular basis. Its main supervisory powers include: the review of financial statements and statistical data; the preliminary review of amendments to bylaws; inspections; and verification of capital ratios, reserve requirements and exposure limits.

The Bank of Italy conducts inspections of all credit institutions through its supervisory staff of auditors. Matters covered by these inspections include the accuracy of reported data, compliance with banking regulations and by-laws. Specific audits may focus on compliance with exposure and other prudential limits.

The Bank of Italy requires all banks to report interim balance sheets on a monthly basis.

The principal objectives of the regulation are the protection of depositors and the stability and efficiency of the financial system.

Deposit Insurance

The Interbank Deposit Guarantee Fund (*Fondo Interbancario di Tutela dei Depositi*) (the “Guarantee Fund”), established in 1987 by the principal Italian banks, protects depositors against the risk of insolvency of the banks and the loss of their deposited funds. The Bank is a member of the Guarantee Fund.

According to the 1996 amendment to the Consolidated Banking Act (pursuant to EU Directive 94/19), a bank’s membership in a deposit guarantee system (currently, the only one established in Italy is the Guarantee Fund) is compulsory and must have a minimum coverage of €103,291.38 per depositor.

Deposits covered by the Guarantee Fund are mainly those of ordinary customers, namely repayable funds in the form of deposits, bank drafts and other similar instruments; bearer deposits, bonds and deposits placed by other credit institutions for their own account have been excluded. Furthermore, the guarantee scheme does not cover deposits of government and local authorities, financial and insurance companies, and mutual funds.

Capital Adequacy Requirements

Solvency Ratios

The implementation of the Basle Committee’s risk-based capital guidelines is based on the EU’s “Own Funds Directive” and the “Solvency Ratio Directive.” Under these risk-based capital guidelines, implemented since 1992 by the Bank of Italy, a bank’s capital adequacy assessment is based on the ratio of its total capital to the risk-adjusted value of its assets and off-balance sheet exposures. It should be noted that the Basle Committee is currently reviewing certain guidelines. A bank’s capital is composed of primary capital and supplementary capital. The consolidated total of primary and supplementary capital of a bank may not be less than 8 per cent. (or 7 per cent. on a non-consolidated basis) of the bank’s risk-weighted assets.

Core capital (Tier I capital, “*patrimonio di base*”) consists of: paid-in equity capital, retained earnings, funds for general banking risks, and innovative capital instruments such as preferred securities; minus: treasury stock, goodwill, intangible assets and losses for the preceding and current fiscal years. Innovative capital instruments can be included in Tier I capital only for up to 15 per cent. of the capital including such instruments. Any amount in excess of that level can be included in supplementary capital as hybrid capital instruments.

Supplementary capital (Tier II capital, “*patrimonio supplementare*”) consists of: asset revaluation reserves, general loan loss reserves (subject to certain deductions), hybrid capital instruments and subordinated loans, less 50 per cent. of net unrealised losses from interests in listed non-banking and non-financial companies. Starting in March 1998, supplemental assets may include 35 per cent. of the net unrealised gains on interests in non-banking and non-financial companies listed on a regulated market. Fifty per cent. of net unrealised losses on investments in securities must be deducted from supplemental assets. Tier II capital cannot exceed Tier I capital. There are also limitations on the maximum amount of certain items of Tier II capital, such as subordinated debt, which may not exceed 50 per cent. of Tier I capital. Interests held by the bank in other banks and financial companies, as well as hybrid capital instruments and subordinated debt held by the bank and issued by other banks or financial companies are deducted (subject to certain conditions) from the consolidated primary and supplementary capital.

To assess the capital adequacy of banks under the risk-based capital guidelines, a bank’s capital is related to the total of the risk-adjusted values of its assets and off-balance-sheet exposures. The various categories of assets are assigned one of five risk weightings: 0 per cent., 20 per cent., 50 per cent., 100 per cent. and 200 per cent.

The capital adequacy ratios are applied to the sum of core and supplementary capital, less equity investments and certain quasi-equity capital instruments in, and subordinated loans to, affiliated credit and financial institutions.

There is an ongoing negotiation to define, in the guidelines of the Basle Committee, *inter alia*, the system balancing the risk of credit, and to introduce a specific requirement for the operational risks. The new agreement may enter into force in 2007.

Market Risk Capital Requirements

In March 1997, on the basis of EU Directive 92/16 and in response to the increased activity of Italian banks in securities brokerage, the Bank of Italy requested specific consolidated capital requirements, in order to carry out securities brokerage activities. The requirements concern the various classes of risk involved and apply to all securities not held to maturity (i.e., trading account securities and available-for-sale investment securities).

The risks covered by the capital requirements are:

- position risk: the risk deriving from fluctuations in the price of the securities due to market trends and status of the issuer;
- settlement risk: the risk that arises in securities settlement transactions when, after the contract has matured, the counterparty has not fulfilled its obligation to deliver the securities or amounts due;
- counterparty risk: the risk that the counterparty will not perform its contractual obligations upon maturity;
- concentration risk: refers to exceeding, as a result of risk positions in the portfolio of marketable securities, the individual credit limit established with regard to the concentration of risks;
- foreign exchange risk: the risk of incurring losses due to adverse changes in foreign exchange rates.

In February 2000, the Bank of Italy, pursuant to EU Directive 98/31 on capital adequacy of investment firms and credit institutions, introduced the possibility (subject to prior authorization) for banks to use their own internal models to calculate capital requirements to cover market risks. The models may use commodity

position risk and total portfolio exchange rate risk. In 2000, certain other modifications to the regulatory framework on market risk concerning the calculation of commodity position risk and new methods of valuing options became effective.

Lending Limits

The Bank of Italy issued certain instructions in October 1993 (as now indicated in Chapter 5, Title IV, of the Bank of Italy Instructions for Banks) in respect of the EU Large Exposure Directive 92/121, dated December 21, 1992. From November 1993 until the end of 1998, all loans made by a bank to a single borrower or group of affiliated borrowers (together with all other exposures as defined by the EU Large Exposure Directive) could not exceed 40 per cent. of the bank's own funds (as defined pursuant to the EU Own Funds Directive 89/299, as amended). Since January 1999, this ceiling has been lowered to 25 per cent. of the bank's own funds. However, in accordance with the provisions of the EU Large Exposure Directive permitting the grandfathering of excess exposures, the Bank of Italy's instructions provide that weighted exposures in excess of the applicable thresholds would not be required to be reduced immediately upon effectiveness of such directive's limitations in 1994, but would need to be gradually brought within specific limits. Such limits took effect at the beginning of 1997 and declined over time (60 per cent. of own funds from 1997 to 1998, 40 per cent. from 1998 to 2001, and 25 per cent. thereafter).

A specific limit applies to loans to companies which are affiliated with banks (i.e., companies in which a bank holds a stake of 20 per cent. or more) and to loans to shareholders holding a stake of 15 per cent. or more in a bank. In particular, the 25 per cent. ceiling was to be met by December 31, 2001.

In addition, the amount of a bank's large exposures—defined as exposures individually exceeding ten per cent. of the bank's own funds—may not, in the aggregate, exceed eight times the bank's own funds. Under the Bank of Italy's instructions, loans and other exposures are assigned one of four risk weightings (0 per cent., 20 per cent., 50 per cent. or 100 per cent.), largely depending on the identity of the debtor or guarantor.

These concentration limitations will apply to banking groups on a consolidated basis, although the activities of securities dealing firms (*società di intermediazione mobiliare*, "SIMs"), belonging to a banking group are not to be taken into account in assessing the group's exposures. In this respect it should be noted that, pursuant to Article 67 of the Consolidated Banking Act, the Bank of Italy, for the purpose of carrying out consolidated supervision, may issue general or specific instructions to the parent company concerning the banking group and its area of consolidation. In addition, banks belonging to a banking group are individually subject to a 40 per cent. limitation on weighted exposures to a single borrower or group of affiliated borrowers.

Equity Participations by Banks

Banks are permitted to make equity investments in all types of companies, subject to rules enacted by the Bank of Italy. Generally, equity participations by a bank in all types of companies may not in the aggregate exceed, together with real estate investments, the bank's regulatory capital. The relevant provisions set out different rules depending on the nature of the target company (i.e., whether the target company is a bank or financial company or other type of company). As regards the acquisition of participation in banks, insurance companies or financial companies, the relevant rules require prior authorization for equity investments exceeding 10 per cent. of the regulatory capital of the acquiring bank or 10 per cent. or 20 per cent. of the capital stock (or otherwise entailing the taking of control) of the bank, financial or insurance company being acquired and for taking control of ancillary banking service companies. Investments in insurance companies exceeding in the aggregate 40 per cent. of the bank's consolidated regulatory capital (and 60 per cent. of its non-consolidated regulatory capital) are not authorized.

Acquisitions of participations in SICAVs (*società di investimento a capitale variabile*) (open-ended investment company) are not subject to the prior authorization of the Bank of Italy, regardless of the amount of the participation to be purchased.

Moreover, equity participations in companies other than banks or financial or insurance companies may not exceed: (i) 15 per cent. of the bank's regulatory capital (or 7.5 per cent. for investments in unlisted

companies); (ii) 3 per cent. of the bank's regulatory capital for investments in a single company or group of companies; or (iii) 15 per cent. of the capital stock of the company whose shares are being acquired by the bank. The limit described in (iii) above does not apply if the value of the participation and the sum of all the other investments exceeding the 15 per cent. owned by the bank does not exceed 1 per cent. of its consolidated capital.

Higher limits are applied by the Bank of Italy upon request by *banche abilitate* (authorized banks), which are banks with at least €11 billion in capital and which meet the solvency ratios, or by *banche specializzate* (specialised banks), which are banks that collect mainly medium- and long-term funds, take no demand deposits, have capital in excess of €11 billion and meet the solvency ratios. In such cases, the banks are empowered to purchase over 15 per cent. of the capital of a non-financial company, as long as both the value of the participation and the sum of all other investments exceeding the 15 per cent. limit do not exceed 2 per cent. of the bank's consolidated regulatory capital. The aggregate of the participations in non-financial companies exceeding 10 per cent. of a company's share capital (or otherwise enabling the bank to affect management of that company) cannot, in any event, exceed 60 per cent. of the bank's consolidated regulatory capital; investments in a single non-financial company or group of companies may not exceed 15 per cent. of the bank's consolidated regulatory capital.

Medium- and Long-Term Credit and Funding Activity

The regulations permit all banks to provide, without restriction, medium- and long-term credit to borrowers other than companies. The granting of medium- and long-term credit is permitted without limit to banks having regulatory capital in excess of €11 billion, banks having regulatory capital in excess of €125 million and which are members of a banking group having a consolidated regulatory capital in excess of €11 billion, and banks whose liability structure is principally founded on funding raised in the medium- and long-term markets.

The relevant rules provide the possibility for other banks to be authorized by the Bank of Italy to extend the medium- and long-term credit over the limit of 30 per cent. of total funding. Banks having regulatory capital in excess of €125 million and banks that lend more than 10 per cent. of their total lending to companies for two consecutive years may also be authorized by the Bank of Italy to provide medium- and long-term credit to companies without limit. Furthermore, the regulations include rules concerning control of the change in maturities as well as methods that empower the Bank of Italy to identify the banks most exposed to the risk of losses linked to interest-rate fluctuations.

With reference to the provisions concerning funding activity, the regulations provide the opportunity for all banks to collect savings from the public in any form permitted by law. Banks are also permitted to use various instruments such as bonds, certificates of deposit, and other funding instruments, which can also be issued in the form of subordinated or perpetual debt for funding activities.

Mandatory Reserves

The European Central Bank ("ECB") and the Bank of Italy require that banks based in Italy must keep obligatory cash reserves, directly or indirectly through an intermediary bank, with the Bank of Italy.

The amount of the reserve is calculated on a monthly basis at a two per cent. rate on the total of the following assets subject to the reserve requirements: liabilities from deposits, debt securities issued by the bank and money market paper, excluding liabilities due to any other institution not listed as being exempt from ECB's minimum reserve system, to the ECB and to other national central banks. There is no applicable portion for deposits and debt securities issued with a maturity of more than two years or repayable with notice of more than two years and for repurchase agreements.

The reserve can be amended by banks for the whole amount during a particular month as long as the average amount of the daily balances is not less than the required reserve. The Bank of Italy pays interest on the reserve at the average refinancing rates set by ECB for that month. Sums in excess of the reserve required do not receive interest. In the case of contravention of the requirements of the obligatory reserve, the ECB may impose proportional fines on the bank (or intermediary bank).

Financial Intermediaries

The Consolidated Banking Act also governs certain financial activities performed by non-banking entities, which, in order to be allowed to deal with the public, must be enrolled in a general register kept by the Ministry of Economy and Finance, through the Italian Exchange Office (*Ufficio Italiano dei Cambi*). Such regulated financial activities are as follows: acquiring equity investments, granting loans in any form (including leasing activities) and performing payment or brokerage services in foreign currency. Pursuant to Law No. 130 of April 30, 1999, relating to securitizations, the transferring of assets to special purpose vehicles and the collection of credits and cashier services are to be considered among such regulated financial activities.

Financial intermediaries that deal with the public may engage in the activities listed above and, subject to specific authorization, derivatives trading activities for their own accounts and placement of financial instruments, are required to observe the rules for clarity of contractual conditions set forth in the Consolidated Banking Act. Further provisions set forth requirements for the probity of the participants and for the probity and professional competence of their business representatives.

The financial intermediaries also have to be enrolled in a special register (provided for in Article 107 of the Consolidated Banking Act, the “Special Register”) kept by the Bank of Italy if they meet certain objective criteria, defined by the Ministry of Economy and Finance, which correspond to the activities they perform, their size and their debt-to-equity ratio. These intermediaries are subject to the supervision of the Bank of Italy, which, in August 1996, issued regulations concerning various aspects of capital requirements and risk management (as amended and restated). Financial intermediaries must also comply with the rules of the individual and consolidated annual financial statements of banks.

Securities Market Control and Legislation

The Italian implementing provisions (Law No. 415 of 1996, “Eurosime Law”) of the European Directives on investment services (93/22/EEC of May 10, 1993) and market risk capital requirements (93/6/EEC of March 15, 1993), allowed banks to operate directly in regulated securities markets. Restrictions on access by foreign banks and investment firms to the Italian investment services sector have also been removed.

In 1998, the regulations introduced by the Eurosime Law were reorganized within the framework of Legislative Decree No. 58 of February 24, 1998 (the “Financial Act”).

The Financial Act contains rules concerning the prudential supervision applicable to intermediaries that provide investment services (including the requirement to use guarantee systems as protection against crises) and to intermediaries that offer collective investment management services (mutual funds and open-end investments companies). Other sections of the Financial Act concern standards for organization and management of financial markets, centralized management of financial instruments, methods for soliciting investments and corporate governance of companies that have listed securities.

Regulated Markets

The organization and management of the regulated markets are confined to joint stock corporations: Borsa Italiana S.p.A., for instance, runs the Italian stock market, (which includes electronic share market MTA, the MTA-Star segment, techSTAR-NM, *Mercato Expandi*, SedeX, MTF-ETF), the Italian derivative market (IDEM), the after hours market (TAH) and the Fixed Income Market (MOT and EuroMOT). All the Italian regulated markets are entered into a list kept by CONSOB. CONSOB continues to exercise supervisory control over listed companies, intermediaries and the markets, as well as the correctness and intelligibility of the information required of companies issuing listed securities and other forms of solicitation relating to securities. CONSOB is also empowered to verify compliance with the legislation regarding insider trading and to report infringements to the public prosecutors.

Intermediaries

Securities market participants in Italy include (subject to partially different conditions) investment firms such as SIMs, financial intermediaries, the persons entered in the Special Register and banks. These intermediaries are under the control of CONSOB and the Bank of Italy, and have to observe prudential regulations governing, among other matters, the professional brokerage of and dealing in securities, underwriting, asset management, retail distribution of securities and advisory services regarding investments in securities.

Mutual Funds

A specific category of authorized intermediaries, SGRs (*società di gestione del risparmio*) and SICAVs (*società di investimento a capitale variabile*) are in charge of the establishment, marketing, promotion, organization and the management of mutual funds (even if established by third parties). The rules concerning the investment limits of mutual funds, with respect to single sectors or companies and overall minimum portfolio diversification, have been set by the Ministry of Economy and Finance. The reform introduced by the Financial Act allows SGRs, supervised by the Bank of Italy for those aspects concerning financial stability and risk management policies, to operate in the sector of asset management.

Corporate Governance

The Bank is incorporated as a *Società cooperativa per azioni a responsabilità limitata* (S.c.a r.l.), a limited liability joint-stock cooperative company. One of the main characteristics of joint-stock cooperative companies is that the share capital is highly fragmented as a result of a limitation on shareholders from owning more than 0.5 per cent. of a joint-stock cooperative company's share capital. The ownership limit does not apply to certain institutions that invest in securities on behalf of groups of investors (*organismi d'investimento collettivo del risparmio*). Upon obtaining knowledge that any of its shareholders has an ownership in excess of such 0.50 per cent. limit, the Bank shall notify such shareholder that it has breached the maximum limit. The shareholder will be required to sell the amount of ordinary shares exceeding the 0.50 per cent. limit within one year of the notice; if the shareholder fails to do so, the Bank will acquire the economic rights related to the amount of ordinary shares in excess of the 0.50 per cent. limit until such time as the ordinary shares are sold. Additionally, irrespective of the amount of ordinary shares held, each shareholder is entitled to only one vote in any matter before shareholders.

In 1999, a committee, coordinated by the Chairman of Borsa Italiana (the "Committee") and composed of representatives of Italian banks, industries, insurance companies and associations of issuers and investors, prepared a code of self-regulation (the "Code"), a model of corporate governance that emphasizes the role and the responsibilities of the board of directors and ensures a balanced division of power among the executive and non-executive members of the board of directors, the auditing functions and the relation with all the shareholders.

The importance of the Code, which is not binding, was immediately appreciated by the market and the board of directors of the Bank adopted the Code in 2001. Borsa Italiana currently requires all companies applying for listing on the MTA to submit a statement comparing their corporate governance model to the model of the Code.

In January 2003, the Italian Government approved a reform of corporate law, governing limited liability and joint-stock companies and co-operatives, which came into force in 2004.

The main innovations introduced by the reform with regard to companies relate to their governance. Companies can adopt one of three forms of corporate governance, and the Bank has chosen the "traditional system", as described below.

- *The dual system.* The dual system provides for the creation of a management board and a supervisory board. The management board has exclusive responsibility for the management of the company's business. The management board consists of at least two members who need not be shareholders and who are appointed by the supervisory board. The supervisory board comprises at least three members,

one of whom must be a member of the company's statutory board of auditors, who are appointed by the shareholders' meeting. The supervisory board is responsible for supervising the board of statutory auditors and carries out many of the functions traditionally left to the shareholders' meeting, including appointment and remuneration of members of the management board, approval of the annual financial statements and bringing actions against members of the management board.

- *The single system.* The single system provides for a management structure substantially in line with the traditional company structure, with the following exceptions: a sole director may not be appointed to manage the company; and, rather than a statutory board of auditors, the company has a management supervision committee appointed by the board of directors from among its members who do not hold management positions in the company.
- *The traditional system* (adopted by the Bank). Unless the by-laws of a company express otherwise, the traditional corporate governance structure will apply. Consequently, the company will have a board of directors or sole director and a board of statutory auditors.

The financial statements of unlisted companies adopting either the single or dual system, or remaining with the traditional system, must be audited by an individual auditor or auditing firm. The financial statements of listed companies adopting any of the above-mentioned systems must be audited by an auditing firm.

BANCA POPOLARE DI LODI INVESTOR TRUST III

Banca Popolare di Lodi Investor Trust III is a statutory trust formed on May 13, 2005 under the Delaware Statutory Trust Act, as amended (the “Trust Act”), under a trust agreement and the filing of a certificate of trust filed with the Secretary of State of the State of Delaware. The Trust Agreement will be amended and restated in its entirety on or about June 30, 2005.

The LLC will own 100 per cent. of the Trust Common Securities, which will have an aggregate liquidation preference of €1,000. The Trust will use all the proceeds derived from the issuance of the Trust Preferred Securities to purchase the LLC Preferred Securities from the LLC. The Trust Preferred Securities represent undivided beneficial ownership interests in the assets of the Trust. The assets of the Trust will consist of a corresponding amount of 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 Preferred Securities in, and holding, the LLC Preferred Securities;
- performing all of its obligations and enforcing all of its rights pursuant to the Trust Preferred Securities and the Trust Agreement; 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 Trustees will be residents of the United States. Deutsche Bank Trust Company Americas, 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 will be J. Bruce Herd, a resident of the United States; Gianfranco Boni; and Giovanni Vismara, each of whom is a resident of the Republic of Italy.

Initially, Deutsche Bank Trust Company Americas will act as Property Trustee and Deutsche Bank Trust Company 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 Preferred 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 as directed by the holders of a majority of the outstanding Trust 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 Preferred Securities. The Property Trustee will hold the Trust Subordinated Guarantee for the benefit of the holders of the Trust Preferred Securities.

In accordance with the terms of the Trust Agreement, prior to the occurrence and continuance of a Trust Enforcement Event (as defined herein), 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 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 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 that 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 the Services Agreement. Under the Services Agreement, Deutsche International Corporate Services (Delaware) LLC will be obligated, among other things, to provide legal, accounting, tax and other general support services to the Trust and the LLC, to maintain compliance with all applicable U.S. and Italian local, state and federal laws, and to provide administrative, record keeping and secretarial services for the LLC and the Trust. 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 c/o Deutsche Bank Trust Company Delaware, 1101 Centre Road, Suite 200, Wilmington, Delaware, 19805 USA.

BANCA POPOLARE DI LODI CAPITAL COMPANY III LLC

Banca Popolare di Lodi Capital Company III LLC, Delaware is a limited liability company that was formed on May 10, 2005 under the Delaware Limited Liability Company Act, as amended (the “LLC Act”), pursuant to an initial limited liability company agreement dated May 12, 2005 and a certificate of formation filed with the Secretary of State of the State of Delaware, which will be amended and restated in its entirety on or about June 30, 2005 in order to reflect, among other things, the issuance by the LLC of 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 Preferred Securities. The Bank will initially hold 100 per cent. of the issued and outstanding LLC Common 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 (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 subject to the conditions set forth in the section entitled “Description of the Eligible Investments—Initial Subordinated Deposit—Reinvestment of Proceeds.”

The LLC exists exclusively for the purposes of:

- issuing the LLC Securities and entering into the Initial Derivative Contract with the Bank and any other Derivative Contract entered into as a renewal or replacement of a preceding Derivative Contract between the LLC and the Bank;
- acting as the initial holder of the Trust Common Securities;
- 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 including Subordinated Deposits issued by any Eligible Borrower subject to certain conditions;
- performing all of its obligations and enforcing all of its rights pursuant to the LLC Preferred Securities, the LLC Agreement and the Derivative Contract; 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 directly or indirectly 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 use its commercially reasonable efforts to cause the LLC to remain a limited liability company and not to voluntarily dissolve, wind up, liquidate or be terminated, 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 (b) an association or a publicly traded partnership taxable as a corporation for United States federal income tax purposes.

So long as the LLC Common Securities are outstanding, a holder of LLC Common Securities may not sell, transfer or otherwise dispose of the LLC Common Securities other than to a 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, without the prior approval of both a majority of the Board

of Directors and the Independent Directors of the LLC and the consent of the Bank of Italy, *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.

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 €1,000,000.

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 Directors will be J. Bruce Herd; Amy L. Martin; and Elizabeth B. Ferry. The other initial members of the Board include Gianfranco Boni and Giovanni Vismara, each of whom is an employee of the BPI Group and a 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 BPI Group.

On or before the Issue Date, the LLC and the Trust will enter into a Services Agreement with Deutsche International Corporate Services (Delaware) LLC. See “Banca Popolare di Lodi Investor Trust III.” The Bank will provide the LLC with the funds necessary for payment by the LLC of all of its fees and expenses that are not covered by the income from the Eligible Investments, 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 c/o Deutsche International Corporate Services (Delaware) LLC, 1011 Centre Road, Suite 200, Wilmington, Delaware, 19805, 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 Citibank, N.A., as the principal paying agent for the Trust Preferred Securities (the “Principal Paying Agent”), Dexia Banque Internationale à Luxembourg, as the Luxembourg paying agent for the Trust Preferred Securities (the “Luxembourg Paying Agent” and, together with the Principal Paying Agent, the “Paying Agents”) and Citibank Global Markets Deutschland AG & Co. KGaA, as registrar (the “Registrar”).

Dividends

Periodic 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 or the Bank under the LLC Subordinated Guarantee with respect to the LLC Preferred Securities or amounts received 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 from and including June 30, 2005 on a non-cumulative basis as follows: (i) Dividends will accrue at the Fixed Dividend Rate of 6.742 per cent. of the liquidation preference of €1,000 per Trust Preferred Security during each Dividend Period until the Dividend Period that begins on June 30, 2015; and will be payable annually in arrear on June 30, commencing June 30, 2006; and (ii) during each Dividend Period after June 30, 2015, Dividends will accrue at the Floating Dividend Rate of 5.25 per cent. above the EURIBOR and will be payable quarterly in arrear on each March 30, June 30, September 30 and December 30, commencing on September 30, 2015 (each, a “Dividend Payment Date”).

Prior to the Dividend Period that begins on June 30, 2015, Dividends on the Trust Preferred Securities for any period shorter than a year will be calculated on the basis of the actual number of days in the relevant calendar year and the actual number of days elapsed during the relevant Dividend Period. Dividends that are payable on each Dividend Payment Date or Redemption Date (as defined below) will be calculated on the liquidation preference of €1,000 per Trust Preferred Security on an annual basis for each such Dividend Period, from and including the immediately preceding Dividend Payment Date (or from and including June 30, 2005, with respect to the Dividends payable on June 30, 2006) 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 June 30, 2015 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 June 30, 2015, 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 June 30, 2015 will also be a EURIBOR Reset Date. If any EURIBOR Reset Date, Dividend Payment Date or Redemption Date after June 30, 2015 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 Citibank, N.A. or any successor thereto.

“EURIBOR Determination Date” for any Dividend Period commencing on or after June 30, 2015 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 June 30, 2015.

“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)).

So long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, the Calculation Agent will, on or prior to the first day of any Dividend Period, notify the Luxembourg Stock Exchange of the Dividend Rate determined for such Dividend Period and will arrange for publication of such information in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the *d'Wort*) or, if such publication is not practicable, in an English language newspaper having general circulation in Europe.

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 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 United States, the Republic of Italy (each, a “Relevant Jurisdiction”) or any authority therein or thereof having power to tax (collectively, “Relevant Tax”), payable by or on behalf of the Trust, unless the withholding or deduction of such Relevant Tax is required by law. In that event, the Trust will pay such Additional Amounts 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 which have been declared or deemed declared 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 “Description of the LLC Securities—LLC Preferred Securities—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 and at the direction of the holders of a majority of the outstanding Trust 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 June 30, 2015, 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), 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 June 30, 2015, or at the Special Redemption Price (as defined below) on any Dividend Payment Date prior to June 30, 2015, 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.

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 accrued and unpaid Dividends for the Dividend Period ending on the day immediately preceding to the Regular Redemption Date, plus (without duplication) any unpaid Mandatory Dividends, plus LLC Additional Amounts thereon, if any, *provided*, that, for the avoidance of doubt, the regular Redemption Price will not include Dividends that have not been declared (nor deemed declared) in full or in part in respect of any Dividend Period on the LLC Preferred Securities.

“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 prior to the Special Redemption Date, plus (without duplication) any unpaid Mandatory Dividends, plus LLC Additional Amounts thereon, if any, *provided*, that, for the avoidance of doubts, the Regular Redemption Price will not include Dividends that have not been declared (nor deemed declared) in full or in part in respect of any Dividend Period on the LLC Preferred Securities.

“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 non-cumulative Dividend payments per LLC Preferred Security from the Special Redemption Date to the Dividend Payment Date on June 30, 2015, 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 0.50 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 June 30, 2015 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 June 30, 2015.

“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 either: (1) to 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 any creditors of the Trust, 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 cure, within such 90-day period, the Trust Special Event by taking some ministerial action, such as filing a form or making an election, or pursuing 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) to cause the Trust Preferred Securities to remain outstanding, *provided, that* in the case of this clause (2), the LLC 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 may not be included in the consolidated, or the Subordinated Deposits in the stand-alone, Tier I 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 advisers 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 change is announced, on or after the date of issue of the Trust Preferred Securities, the LLC Preferred Securities or the Derivative Contract, 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, the LLC or the Bank under the Subordinated Guarantees, as the case may be, would be unable to make such payment without having to pay Additional Amounts, LLC Additional Amounts or the Guarantor 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 Bank, the related Eligible Borrower, the Trust or the LLC taking reasonable measures which: (x) do not require the Bank, 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 the receipt by the Bank of an opinion of a nationally recognized law firm or other tax advisers 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 hitherto 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 or the LLC Preferred Securities, 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, the LLC or the Bank under the Subordinated Guarantees, as the case may be, would be unable to make such payment without having to pay Additional Amounts, LLC Additional Amounts or Guarantor Additional Amounts, as the case may be; (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 Bank, the related Eligible Borrower, the Trust or the LLC taking reasonable measures which: (x) do not require the Bank, 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 advisers, as appropriate, in the Relevant Jurisdiction in which an Eligible Borrower under a Subordinated Deposit is located and experienced in such matters, to the effect that, as a result of: (1) 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 making of such Subordinated Deposit, or (2) 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 (3) 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 (4) any clarification of, or change in the official position or the interpretation or pronouncement of such Administrative Action or any interpretation or pronouncement that provides for a position with respect to such Administrative Action that differs from the hitherto 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 making of such Subordinated Deposit, there is more than an insubstantial risk that such an 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 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.

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 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." Payments of such funds will be made as described under "—Payments" below. 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 following a Trust Liquidation (as defined below), 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—Investment Considerations relating to the Preferred Securities—Optional Redemption Upon the Occurrence of an LLC Special Event or 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 a Trust Liquidation (as defined below), 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 holders 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 holders 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, winding-up or termination 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 Guarantees—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; and (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 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 Tier I 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 the Permanent Global Certificate 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”).

On or about the Issue Date, the Global Securities will be deposited with, and registered in the name of the Common Depositary for Euroclear and Clearstream, Luxembourg or its nominee. 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 or integral multiples thereof per Trust Preferred Security (the “Trust Preferred Security Certificates”). 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 Security holders 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. Such 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 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.

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 U.S. 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.

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

Citigroup Global Markets Deutschland AG & Co. KGaA will act as Registrar and Citibank, N.A. 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*, that 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.

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, provided that, on redemption of definitive Trust Preferred Securities, payment of the applicable Redemption Price shall be made to the holders against surrender to the relevant Paying Agent (which, for the avoidance of doubt, may be a Paying Agent in Luxembourg) of the certificate(s) representing their Trust Preferred Securities.

Prescription

Any Dividend or Redemption Price shall have a prescription period of ten years from its date of declaration, upon the expiry of which any such amount shall be forfeited and shall cease to be owing by the Trust.

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 Banca Popolare Italiana S.c.a r.l., London Branch, at its principal office, from time to time, presently at 1 Moorgate, London, EC2R 6JH, United Kingdom, as its agent for service of process in England, and the courts of the State of New York and the United States Federal District Court located in the Borough of Manhattan in The City of New York, and has appointed CT Corporation, at its principal office, from time to time, presently at 111 Eight Avenue, 13th Floor, New York, NY 10011, United States, 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, in respect of 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 and the right to receive payments out of the assets of the LLC upon voluntary or involuntary dissolution, liquidation or winding-up 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 LLC Board, 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 in respect of a relevant Dividend Period, 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 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 non-cumulative basis as follows: (i) Dividends will accrue at the Fixed Dividend Rate of 6.742 per cent. of the liquidation preference of €1,000 per LLC Preferred Security during each Dividend Period until the Dividend Period that begins on June 30, 2015, 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 5.25 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 September 30, 2015.

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 applicable 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 the Mandatory Dividends in full on the LLC Preferred Securities on each Dividend Payment Date unless:

- (1) the Bank does not have, according to the non-consolidated 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 non-consolidated accounts approved by the Bank, 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, and/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; or
- (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; 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 defined below), 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) any redemption, repurchase or other acquisition of such share capital or other instrument held by any member of the Group; (ii) 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; (iii) 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; (iv) in connection with a levy of execution for the satisfaction of a claim by the Bank or any Subsidiary; (v) in connection with the satisfaction by the Bank or any Subsidiary of its obligation under any employee benefit plan or similar arrangement; and (vi) in connection with transactions effected by or for the account of customers of the Bank or any Subsidiary or in connection with the distribution, trading or market-making in respect of such securities) 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 12-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 semi-annually, 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 semi-annually 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 semi-annual 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 semi-annually 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.

Notwithstanding any other provision in the LLC Agreement or applicable law, if the LLC Board does not declare Mandatory Dividends on the LLC Preferred Securities at the times and in the amounts authorized in clause (A) above, then such Mandatory Dividends on the LLC Preferred Securities shall be deemed declared at the times and in the amounts so authorized, and the holders of LLC Preferred Securities shall be entitled to receive such Mandatory Dividends without any further act, vote or approval of the Board, any holder of LLC Securities or any other person.

“Parity Securities” means: (1) any preference shares, guarantees or similar instruments (other than the Subordinated Guarantees) issued by the Bank which rank 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 any 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 preference 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 and if the LLC Preferred Securities are held by the Trust and the Trust is required by law to deduct any Relevant Tax on payments in respect of the Trust Securities, the LLC will pay the LLC Additional Amounts as may be necessary in order that the net amounts received by the holders of the LLC Preferred Securities and/or of the

Trust Securities, after such withholding or deduction, will equal the amount which would have been received in respect of the LLC Preferred Securities and/or of the Trust 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 (or beneficial owner) 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, the Trust 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 on any matter, in any proceedings or to be represented at, or to receive notice of, any meeting of holders of LLC Securities.

If, for any Dividend Period, Mandatory Dividends on the LLC Preferred Securities and any LLC Additional Amounts in respect of such Mandatory Dividends on the LLC Preferred Securities have not been paid in full by the LLC or by the Bank under the LLC Subordinated Guarantee with respect to the LLC Preferred Securities (together with any additional amounts in respect of such guarantee), 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. Any such Special Independent Director may be removed with or without cause by, and shall not be removed except by, the vote of a majority in liquidation amount of the outstanding LLC Preferred Securities entitled to vote, at a meeting of the holders of LLC Common Securities or of the LLC Preferred Securities entitled to vote thereon, called for that purpose.

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 which have been declared or deemed declared 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, to the maximum extent permitted by the applicable law;
- 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 to the fullest extent permitted by law 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 who 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 "Regular Independent Director").

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: (i) 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; and (ii) in considering the interests of holders of LLC Preferred Securities, the Regular Independent Director shall owe the holders of the LLC Preferred Securities duties comparable to those that a director of a Delaware corporation owes to shareholders of a corporation.

So long as any LLC Preferred Securities are outstanding, the Designated Actions 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 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 June 30, 2015, with the prior approval, if then required, of the Bank of Italy, 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 occurs (other than a Change in Law Tax Event), 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 June 30, 2015, or at the Special Redemption Price if such redemption occurs prior to June 30, 2015. Any such redemption shall be upon not less than 30 nor more than 60 days’ notice to the holders of the LLC Preferred Securities. 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. 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 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 depositary or its nominee. 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

Citibank, N.A. will act as Registrar and 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 Banca Popolare Italiana S.c.a r.l., London Branch, at its principal office from time to time, presently 1 Moorgate, London, EC2R 6JH, United Kingdom, as its agent for service of process in England, and the courts of the State of New York and the United States Federal District Court located in the Borough of Manhattan in The City of New York and has appointed CT Corporation, at its principal office, from time to time, presently at 111 Eight Avenue, 13th Floor, New York, NY 10011, United States, 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 U.S. Internal Revenue 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 the 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 €8,750,000, the LLC will agree to make a Capital Deficiency Payment (as defined below) to the Bank upon the occurrence of a Capital Deficiency Event. 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 semi-annual consolidated or stand-alone accounts or (B) determined by the Bank of Italy and communicated to the Bank, falls below the then minimum requirements of the Bank of Italy specified in its February 2000 regulations or such other applicable regulation governing *Strumenti Innovativi di Capitale*, as from time to time amended; 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 guarantee ranking *pari passu* with the Subordinated 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 June 30, 2025, 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 in case optional redemption of the LLC Preferred Securities does not take place.

The Derivative Contract can only be terminated 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 June 30, 2015, 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 Trust Preferred Securities would continue to qualify as Tier I capital of the Bank on a consolidated 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 U.S. 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 the 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 the 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 June 30, 2025, 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 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 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 jurisdictions of the courts of England, and has appointed Banca Popolare Italiana S.c.a r.l., London Branch, at its principal office from time to time, presently at 1 Moorgate, London, EC2R 6JH, United Kingdom, as its agent for service of process in England. 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 preference shares of the Bank, if any, and each other, and senior to all its share capital of the Bank, including its other preference 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 the Relevant 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 shares 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 “Banca Popolare di Lodi Investor Trust III” and “Banca Popolare di Lodi Capital Company III LLC” 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 66 2/3 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 be required 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, except that the subordination provisions thereof will be governed by the laws of the Republic of Italy.

In relation to any legal action or proceedings arising out of or in connection with the Subordinated Guarantees, the Bank will agree to submit to the non-exclusive jurisdictions of the courts of England, and has appointed Banca Popolare Italiana S.c.a r.l., London Branch, at its principal office from time to time, presently at 1 Moorgate, London EC2R 6JH, United Kingdom, as its agents 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, to the extent such court has subject matter jurisdiction over the controversy, and has appointed CT Corporation, at its principal office, from time to time, presently at 111 Eight Avenue, 13th Floor, New York, NY 10011, United States as its agent for service of process in New York. Further, the Bank will agree that all claims in respect of any such action or proceeding may be heard and determined in such United States District Court or New York State court, as the case may be. The Bank will also agree to irrevocably waive, to the fullest extent it may effectively do so, the defense of any inconvenient forum to the maintenance of such action or proceeding.

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 unsecured obligations of the Bank and will rank subordinate and junior to indebtedness of the Bank (including bonds, notes and debentures, whether senior or subordinated, and instruments constituting “Upper Tier II” or “Lower Tier II” capital of the Bank but, excluding any instrument or contractual right effectively ranking *pari passu* with the Subordinated Deposits), *pari passu* with the most senior preference shares of the Bank, if any, the subordinated guarantee issued by the Bank to secure the obligations arising from the Banca Popolare di Lodi Investor Trust €25,000,000 Floating Rate Non-cumulative Preferred Trust Certificates issued by Banca Popolare di Lodi Investor Trust and the €75,000,000 Floating Rate Non-cumulative Preferred Trust Certificates issued by Banca Popolare di Lodi Investor Trust II and each other, and senior to the share capital of the Bank, including preference shares, ordinary shares and savings shares and any other instruments issued by the Bank and expressed to rank *pari passu* with the share capital of the Bank.

The Initial Subordinated Deposit will mature on June 30, 2025, *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 6.617 per cent. of the principal amount thereof from the Issue Date to but excluding June 30, 2015, 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 5.125 per cent. above EURIBOR for three-month deposits 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

The Subordinated Deposits cannot be redeemed as long as the Initial Derivative Contract, or any Derivative Contract, is in force.

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 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 holder's 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 any Eligible Borrower or their 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 I capital of the Bank on a consolidated 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 U.S. 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 U.S. Federal and Italian income tax consequences of the purchase, ownership and disposition of the Trust Preferred Securities. The U.S. Federal income tax summary addresses only the tax consequences to a 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. The following summary 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 U.S. Federal income tax law (such as banks, insurance companies, regulated investment companies, real estate investment trusts and dealers in securities or currencies), persons that will hold Trust Preferred Securities as part of a larger transaction, such as a position in a "straddle" or as part of a "hedging" or "conversion" transaction or persons whose functional currency is not the U.S. dollar or the euro, respectively. In addition, the summary does not address the U.S. Federal or Italian income tax treatment of a Trust Preferred Securityholder on or after the occurrence of a Capital Deficiency Event. The U.S. tax summary is based upon the Internal Revenue Code of 1986, as amended, the Treasury regulations promulgated thereunder and other administrative and judicial authorities in effect as of the date hereof, all of which are subject to change (possibly with retroactive effect). 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). Italian Law No. 80 of April 7, 2003 for the reform of the Italian tax system has empowered the Italian Government to introduce – within a two-year period – a general reform of the Italian tax regime of financial income and of taxation of individuals and corporations that may impact on the current Italian tax regime in respect of the Trust Preferred Securities, as summarized below. Part of this reform has been enacted by Italian Legislative Decree No. 344 of December 12, 2003, effective as of January 1, 2004. However, on March 18, 2005, the Italian Council of Ministers approved a draft of Legislative Decree (so-called "Correttivo IRES"), currently pending for necessary approval from the Italian Parliament, that provides for some amendments to such part of reform that may impact on the current Italian tax regime of the purchase, ownership and disposal of the Trust Preferred Securities summarized below.

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

Italian Income Tax Considerations

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

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 and do not have a permanent establishment in Italy to which the Trust Preferred Securities are effectively connected, except as indicated below for payments made by the Guarantor.

If the Trust Preferred Securities are held in Italy, non-Italian resident beneficial holders of the Trust Preferred Securities may be required to declare to be non-Italian tax resident to the financial intermediary depository of the Trust Preferred Securities, pursuant to Italian tax provisions.

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.

Pursuant to Legislative Decree No. 239 of April 1, 1996 (“Decree No. 239”), 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 categories of Italian resident beneficial owners is subject to a 12.5 per cent. final substitute tax (*imposta sostitutiva*):

- (i) Partnerships (other than *società in nome collettivo*, *società in accomandita semplice* or similar partnerships), de facto partnerships not carrying out commercial activities, professional associations, public and private entities other than companies, not carrying out commercial activities, government entities and entities exempt from corporate income tax. Pursuant to Decree No. 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified in a decree by the Ministry of Economy and Finance (each an “Intermediary”). An Intermediary must (i) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary; and (ii) intervene, in any way, in the collection of interest or in the transfer of the Trust Preferred Securities. For the purpose of the application of the *imposta sostitutiva*, a transfer of Trust Preferred Securities includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Trust Preferred Securities or in a change of the Intermediary with which the Trust Preferred Securities are deposited. Where the Trust Preferred Securities are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any Italian intermediary (including a permanent establishment in Italy of a foreign entity) paying interest to a beneficial owner. Where payments on the Trust Preferred Securities are not received through the intervention of an Italian resident intermediary and as such no *imposta sostitutiva* is applied, the recipients will be required to declare the payments in their yearly tax return and subject them to 12.5 per cent. substitute tax, unless option for a different regime is allowed and made. The substitute tax is final and discharges all tax liabilities of the recipient in connection with the interest payments received.
- (ii) 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 the 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 the Trust Preferred Securities are not deposited with an Intermediary and no *imposta sostitutiva* is applied by any other Italian intermediary (including a permanent establishment in Italy of a foreign entity) intervening in the interest payments, the individual beneficial owners will be required to declare the payments in their yearly income tax return and subject them to a final substitute tax at a rate of 12.5 per cent., unless option for a different regime is allowed and made. The individual beneficial owners may elect instead to pay ordinary personal income taxes 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 on a discretionary basis 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 No. 461 of November 21, 1997, (“Decree 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 collective investment funds, SICAVs¹ or pension funds subject to the regime provided for by Articles 14, 14-ter or 14-quarter, paragraph 1, of Italian Legislative Decree No. 124 of April 21, 1993, 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:

- (i) in case of Italian collective investment funds and SICAVs, at the rate of 12.5 per cent. (reduced to 5 per cent., pursuant to Article 12 of Law Decree No. 269 of September 30, 2003, converted with Law No. 326 of November 24, 2003 (“Decree No. 269”), in case of collective investment funds or SICAVs that invest at least two-thirds of the funds’ or SICAVs’ assets in the stock of small or medium capitalized companies listed on an EU regulated exchange. Such regime is presently under scrutiny by the European Commission in order to verify whether such relief can be considered as “State aid” (*aiuto di Stato*) in breach of the rules of the EU market);
- (ii) in case of Italian pension funds subject to the regime provided for by Articles 14, 14-ter or 14-quarter, paragraph 1, of Italian Legislative Decree No. 124 of April 21, 1993, at the rate of 11 per cent.

Pursuant to Law Decree No. 351 of September 25, 2001, converted into law with amendments by Law No. 410 of November 23, 2001 (“Decree No. 351”), as amended by Decree No. 269, Italian resident real estate investment funds established starting from September 26, 2001 pursuant to Art. 37 of Legislative Decree No. 58 of February 24, 1998, and Art. 14-bis of Law No. 86 of January 25, 1994, or, in any case subject to the tax treatment provided for by Decree No. 351 as a consequence of option for application of such treatment having been promptly made by the managing company, are not subject to any taxation at the fund level on payments under the Trust Preferred Securities.

No “entrance” withholding or substitute tax is applicable to interest paid to Italian resident beneficial owners who are corporate entities, commercial partnerships and permanent establishments in Italy of foreign entities to which the Trust Preferred Securities are effectively connected, provided that the Trust Preferred Securities are deposited with an Intermediary. In such cases, interest will generally be included in their aggregate taxable business income subject to tax in Italy according to the ordinary tax provisions (and in certain cases, depending on the status of the beneficial owners, interest may also contribute, according to the ordinary rules, to the calculation of the relevant net value of production to be subject to regional tax on productive activities (IRAP) at the relevant applicable rate). A tax credit may be generally available for taxes withheld abroad, if any.

Early Redemption

Without prejudice to the above provisions, in the event that Trust Preferred Securities having an original maturity of at least 18 months are redeemed, in full or in part, prior to 18 months from their issue date, Italian resident beneficial owners will be generally required to pay an additional amount equal to 20 per cent. of the interest and other proceeds accrued on the early redeemed Trust Preferred Securities up to the time of early redemption. Where Italian withholding agents intervene in the collection of interest on the Trust Preferred Securities or in the redemption of Trust Preferred Securities, this additional amount may be levied by such withholding agents by way of a withholding. In accordance with one interpretation of Italian tax law, the above 20 per cent. additional amount may also be due in the event of any purchase of Trust Preferred Securities by the Trust with subsequent cancellation therefore prior to 18 months from the date of issue.

Treatment as Shares

Should the Trust Preferred Securities be qualified as shares or similar securities, 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:

¹ 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 to his units.

- (i) dividends paid to Italian beneficial owners who are corporate entities and commercial partnerships (including permanent establishments in Italy of foreign entities to which the Trust Preferred Securities are effectively connected) are not subject to withholding tax. In such cases, the dividends received will form part of the aggregate taxable business income of the investors limited to 5% of their amount and such 5% amount will be subject to taxation pursuant to their ordinary regime. Therefore, the investors must include a sum equal to 5% of the gross amount of the dividends in their income tax return and may generally benefit from a tax credit for withholding taxes, if any, applied outside Italy on an amount limited to 5% of the dividends received;
- (ii) dividends paid to Italian pension funds, collective 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 substitute tax:
 - (a) in case of Italian collective investment funds and SICAVs, at the rate of 12.5 per cent. (reduced to 5 per cent., where the conditions under Article 12 of Decree No. 269 are met, in case of collective investment funds or SICAVs that invest at least two-thirds of the funds' or SICAVs' assets in the stock of small or medium capitalized companies listed on an EU regulated exchange. Such regime is presently under scrutiny by the European Commission in order to verify whether such relief can be considered as "State aid" (*aiuto di Stato*) in breach of the rules of the EU market);
 - (b) in case of Italian pension funds subject to the regime provided for by Articles 14, 14-ter or 14-quarter, paragraph 1, of Italian Legislative Decree No. 124 of April 21, 1993, at the rate of 11 per cent.;
- (iii) pursuant to Decree No. 351, as amended by Decree No. 269, Italian resident real estate investment funds established starting from September 26, 2001 pursuant to Article 37 of Legislative Decree No. 58 of February 24, 1998, and Art. 14-bis of Law No. 86 of January 25, 1994, or, in any case subject to the tax treatment provided for by Decree No. 351 as a consequence of option for application of such treatment having been promptly made by the managing company, are not subject to any taxation at the fund level on payments under the Trust Preferred Securities;
- (iv) dividends paid to Italian resident entities exempt from corporate income tax are subject to a definitive 27 per cent. withholding tax. This withholding tax is to be applied on the amount of dividends net of any tax withheld outside Italy and is required to be levied by the Italian withholding agent, if any, that intervenes in the collection of the dividends. Where payments on the Trust Preferred Securities are not received through the intervention of an Italian withholding agent and as such no withholding tax is applied, the recipient will be required to declare the payments in its yearly tax return and subject them to a final substitute tax at a rate of 27 per cent.;
- (v) dividends paid to Italian resident beneficial owners who are 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., if the payments are collected through the intervention of an Italian withholding agent. Such withholding tax is to be applied on the amount of dividends net of any tax withheld outside Italy and is final – *a titolo d'imposta* – (with no obligation for Italian individual beneficial owners to include dividends in their global taxable income) for Italian individuals holding non qualified interests in the Trust. In such case, individuals are not entitled to a tax credit for withholding taxes applied outside Italy, if any.

If payments on the Trust Preferred Securities are not received through the intervention of an Italian withholding agent and as such no withholding tax is required to be levied, the recipient holding a non qualified interest in the Trust will be required to declare the payments in its yearly tax return and subject them to final substitute tax at a rate of 12.5 per cent., unless option for a different regime is allowed and made.

The above-mentioned 12.5 per cent. final withholding tax does not apply if an individual resident in Italy declares in a timely manner upon collection of dividends that the dividends are connected (i) with an entrepreneurial activity in which the individual is engaged or (ii) with a “qualified” interest in the Trust held by the individual. In general, an interest in an issuer is deemed to be “qualified” if a beneficial owner (i) can dispose of more than 20% of the voting rights exercisable in the general meeting of the relevant issuer (more than 2%, where the issuer's shares are listed on a regulated market); or (ii) controls more than 25% of the issuer's capital or net worth (more than 5% in case the issuer's shares are listed on a regulated market).

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 representing a non qualified interest in the Trust, 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 Decree No. 461, the payments will not be subject to any Italian withholding tax and 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

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 Italian resident beneficial owners who are corporate entities and commercial partnerships (including permanent establishments in Italy of foreign entities to which the Trust Preferred Securities are effectively connected) 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 tax regime (and in certain cases, depending on the status of the beneficial owners, payments may also contribute, according to the ordinary rules, to the calculation of the relevant net value of production to be subject to regional tax on productive activities (IRAP) at the relevant applicable rate). Therefore, the recipients must include the gross amount of the payments in their income tax return and may generally benefit from a tax credit for withholding taxes applied outside Italy, if any;
- (ii) payments made to Italian resident beneficial owners who are 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 other qualified financial intermediary (or permanent establishment in Italy of foreign 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 (or permanent establishment in Italy of foreign 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 taxes 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 resident bank or other qualified 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 Savings Directive

On June 3, 2003, the European Council of Economics and Finance Ministers adopted a Directive on the taxation of savings income (the “EU Savings Directive”). Under the EU Savings Directive, Member States will (if equivalent measures have been introduced by certain non-EU countries) be required, from July 1, 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria will instead be required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

Implementation in Italy of the EU Savings Directive

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of April 18, 2005 (“Decree No. 84”). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid starting from July 1, 2005 to individuals who qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian paying agents (i.e. banks, *società di intermediazione mobiliare* (so called “SIMs”), fiduciary companies, *società di gestione del risparmio* (SGRs) resident for tax purposes in Italy, permanent establishments in Italy of non-resident persons and any other economic operator resident for tax purposes in Italy paying interest for professional or commercial reasons) shall report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian tax authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

Payments made by the Guarantor

There is no authority directly regarding the Italian tax regime of payments on securities made by an Italian resident guarantor. Accordingly, there can be no assurance as to the tax treatment of such payments that may be asserted by the Italian tax authorities or that the Italian courts may support.

In particular, according to 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 Subordinated Guarantees may be subject in certain circumstances to a final withholding tax at a rate of 12.5 per cent. if the beneficial owner is an Italian pension fund, collective 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 Subordinated Guarantees may be subject to withholding tax at a rate of 12.5 per cent. on account of income taxes 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 business income subject to tax according to the ordinary rules.

However, in the case of a beneficial owner 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 Subordinated Guarantees to non-Italian resident beneficial owners who are resident for tax purposes in tax haven countries as defined in Article 110, paragraph 10, of Presidential Decree No. 917 of December 22, 1986, and identified by a Decree of the Treasury Ministry of January 23, 2002, as amended from time to time, final withholding tax should in any case apply at a rate of 27 per cent.

In accordance with another interpretation, any payments by the Guarantor under the Subordinated Guarantees should be treated in certain circumstances as payments by the Trust and made subject to the tax treatment described in the above paragraphs.

According to a different interpretation of Italian fiscal law, payments made by the Guarantor under the Subordinated Guarantees should not be subject to Italian withholding tax.

Capital Gain

Italian collective investment funds, SICAVs, pension funds. 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 substitute tax:

- (a) in case of Italian collective investment funds and SICAVs, at the rate of 12.5 per cent. (reduced to 5 per cent., pursuant to Article 12 of Decree No. 269, in case of collective investment funds or SICAVs that invest at least two-thirds of the funds' or SICAVs' assets in the stock of small or medium capitalized companies listed on an EU regulated exchange. Such regime is presently under scrutiny by the European Commission in order to verify whether such relief can be considered as "State aid" (*aiuto di Stato*) in breach of the rules of the EU market);
- (b) in case of Italian pension funds subject to the regime provided for by Articles 14, 14-ter or 14-quarter, paragraph 1, of Italian Legislative Decree No. 124 of April 21, 1993, at the rate of 11 per cent.

Italian resident corporate investors. The capital gains realized by corporations and commercial partnerships resident in Italy for tax purposes (including permanent establishments in Italy of foreign entities to which the Trust Preferred Securities are effectively connected) will generally contribute, according to the ordinary rules, to the calculation of the aggregate business income subject to the ordinary corporate income tax according to the ordinary rules (and in certain cases, depending on the status of the corporate investors, may also contribute, according to the ordinary rules, to the calculation of the relevant net value of production to be subject to regional tax on productive activities (IRAP) at the relevant applicable rate). The gains are calculated as the difference between the acquisition cost and the sale price.

Italian individual investors. Where an Italian resident Trust Preferred Securityholder is an individual not holding the Trust Preferred Securities in connection with an entrepreneurial activity and certain other persons, any capital gain realized by such Trust Preferred Securityholder from the sale or redemption of Trust Preferred Securities representing the disposal of a non-qualified interest in the Trust would be subject to a substitute tax levied at the current rate of 12.5 per cent. (*imposta sostitutiva* provided for by Art. 5 of Decree No. 461). Trust Preferred Securityholders may generally set off capital losses with capital gains of the same nature.

In respect of the taxation of such capital gains, Italian resident individual investors holding Trust Preferred Securities not in connection with entrepreneurial activity may opt for one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in entrepreneurial activity to which the Trust Preferred Securities are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss of the same nature, realized by the Italian resident individuals holding Trust Preferred Securities not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Trust Preferred Securities carried out during any given tax year. Italian resident individuals holding Trust Preferred Securities not in connection with an entrepreneurial activity must indicate the overall capital gains realized in any tax year, net of any relevant incurred capital loss of the same nature, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains of the same nature realized in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident individual Trust Preferred Securityholders holding the Trust Preferred Securities not in connection with an entrepreneurial activity may elect to pay the

imposta sostitutiva separately on capital gains realized on each sale or redemption of the Trust Preferred Securities (the *risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to (i) the Trust Preferred Securities being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and (ii) an express election for the *risparmio amministrato* regime being punctually made in writing by the relevant Trust Preferred Securityholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realized on each sale or redemption of the Trust Preferred Securities (as well as in respect of capital gains realized upon the revocation of its mandate), net of any relevant incurred capital loss of the same nature, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Trust Preferred Securityholder or using funds provided by the Trust Preferred Securityholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Trust Preferred Securities results in a capital loss, such loss may be deducted from capital gains of the same nature subsequently realized, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Trust Preferred Securityholder is not required to declare the capital gains in its annual tax return.

Any capital gains realized by Italian resident individuals holding the Trust Preferred Securities not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Trust Preferred Securities, to an authorised intermediary and have opted for the so-called “*risparmio gestito*” regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realized, at year end, subject to a 12.5 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Trust Preferred Securityholder is not required to declare the capital gains realized in its annual tax return.

However, the 12.5% *imposta sostitutiva* does not apply if the Trust Preferred Securities are deemed to be shares or securities similar to shares and the Trust Preferred Securityholder holds a qualified interest in the Trust. In this case, the Trust Preferred Securityholder should include 40% of the capital gain in the yearly tax return and should pay income taxes on the relevant amount.

Capital gains realized by non-Italian resident Trust Preferred Securityholders without permanent establishment in Italy to which the Trust Preferred Securities are effectively connected, from the sale or redemption of the Trust Preferred Securities are not subject to Italian taxation, provided that the Trust Preferred Securities are held outside Italy.

If the Trust Preferred Securities are held in Italy, the capital gains realized from the sale or redemption of Trust Preferred Securities by a non-Italian resident Trust Preferred Securityholder without permanent establishment in Italy to which the Trust Preferred Securities are effectively connected may be taxable in Italy, subject however to certain exceptions and in any case subject to application of double taxation treaties entered into by Italy, if more favorable.

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

Where applicable, upon transfer of Trust Preferred Securities executed in Italy, Italian transfer tax (*tassa sui contratti di borsa*) will be payable at a rate between a maximum of €0.0720 and a minimum of €0.00465 for every €51.65 (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 €929.62 for each transaction.

For transfer tax purposes, transfers of Trust Preferred Securities to or by Italian residents are considered as executed in Italy for presumption of law. Moreover, contracts of transfer of Trust Preferred Securities executed outside Italy between non-Italian residents will have legal effect (*efficacia giuridica*) in Italy to the extent that transfer tax is paid.

However, Italian transfer tax (*tassa sui contratti di borsa*) 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 undertakings for collective savings investments, on the other hand;
- (iii) contracts related to public sale offering ordered to the listing on regulated markets or involving financial instruments already listed on regulated markets; and
- (iv) contracts regarding securities not listed on a regulated market entered into between the authorised intermediaries referred to in (ii)(a) above, on the one hand, and non-Italian residents on the other hand.

Inheritance and Gift Tax

According to Law No. 383 of October 18, 2001 (“Law No. 383”), starting from October 25, 2001, Italian inheritance and gift tax, previously generally payable on the transfer of securities as a result of death or donation, has been abolished.

However, according to Law No. 383, for donees other than spouses, direct descendants or ancestors and other relatives within the fourth degree, if and to the extent that the value of the gift attributable to each such donee exceeds €180,759.91, the gift of Trust Preferred Securities may be subject to the ordinary transfer taxes provided for the transfer thereof for consideration. In this respect, the Italian tax authorities have expressed the view that the transfer tax mentioned above (*tassa sui contratti di borsa*) should not be considered as a “transfer tax ordinarily applicable” to transfers for consideration.

Moreover, an anti-avoidance rule is provided by Law No. 383 for any gift of assets (such as the Trust Preferred Securities) which, if sold for consideration, would give rise to capital gains subject to the substitute tax (*imposta sostitutiva*) provided for by Decree No. 461. In particular, if the donee sells the Trust Preferred Securities for consideration within 5 years from the receipt thereof as gift, the donee is required to pay the relevant substitute tax (*imposta sostitutiva*) on capital gains as if the gift had never taken place.

Tax Monitoring Obligations

Italian resident individuals, partnerships (other than *società in nome collettivo*, *società in accomandita semplice* or similar partnerships), de facto partnerships not carrying out commercial activities, professional

associations and public and private entities, other than companies, not carrying out commercial activities, will be required to report in their yearly income tax return, for tax monitoring purposes:

- (a) the amount of investments held abroad and foreign financial assets generating foreign source income taxable in Italy (including the Trust Preferred Securities) held at the end of each tax year, if exceeding in the aggregate €12,500.00;
- (b) the amount of any transfers from abroad, towards abroad and occurring abroad, related to investments held abroad and foreign financial assets generating foreign source income taxable in Italy (including the Trust Preferred Securities), occurring during each tax year, if these transfers exceed in the aggregate €12,500.00 each year. This also applies in the case that at the end of the tax year, investments held abroad and foreign financial assets generating foreign source income taxable in Italy (including the Trust Preferred Securities) are no longer held by the above-mentioned subjects.

The above subjects will however not be required to comply with the above reporting requirements with respect to Trust Preferred Securities (and other foreign financial assets) deposited for management or administration with qualified Italian financial intermediaries (including permanent establishments in Italy of foreign 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 collected through the intervention of the same intermediaries.

U.S. Federal Income Tax Considerations

TO ENSURE COMPLIANCE WITH U.S. INTERNAL REVENUE SERVICE CIRCULAR 230, EACH TRUST PREFERRED SECURITYHOLDER IS HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS OFFERING CIRCULAR IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON BY THEM FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE U.S. INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THEY SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

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 U.S. 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 U.S. Federal income tax purposes and therefore will not be treated as a taxable entity for such purposes.

Certain Non-U.S. Holders

In the following discussion the term "Non-U.S. Holder" refers to a beneficial owner of Trust Preferred Securities who is not a U.S. Holder. A "U.S. Holder" means a beneficial owner of Trust Preferred Securities who is, for United States Federal income tax purposes: (i) a citizen or resident of the United States; (ii) a corporation or other entity created or organized in or under the laws of the United States or any political subdivision thereof; (iii) an estate the income of which is subject to United States Federal income taxation regardless of its source; or (iv) a trust if a court within the United States is able to exercise primary

supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. The term also includes certain former citizens or long-term residents of the United States.

The LLC intends to operate so that it will not be engaged in the conduct of a U.S. trade or business for U.S. Federal income tax purposes. A United States withholding agent will not be required to withhold 30 per cent. of amounts payable to a Non-U.S. Holder, provided that the withholding agent receives a certification, signed under penalties of perjury, on the applicable Internal Revenue Service Form W-8 (or similar substitute form) that such Non-U.S. Holder is not a United States person and providing its name and address. A Non-U.S. Holder also will not be subject to U.S. federal income tax on its allocable share of the LLC's income unless the income is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States.

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

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-U.S. Holders may be required to provide the applicable Internal Revenue Service form W-8 (or similar substitute form) to establish their non-U.S. 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 U.S. FEDERAL OR OTHER TAX LAWS.

SUBSCRIPTION AND SALE

Each of the Lead Managers, pursuant to a Subscription Agreement dated June 30, 2005 (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 million in the aggregate). The Subscription Agreement provides that each of the Trust, the LLC and the Bank will indemnify the Lead Managers against certain liabilities. The Lead Managers will receive a commission of €25 per Trust Preferred Security or €12.5 million 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 Lead 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 Lead 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, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each of the Lead Managers has agreed that, except as permitted by the Subscription Agreement, it 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, U.S. 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, U.S. 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-U.S. 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

Each of the Lead Managers has represented and agreed that:

- during the period up to but excluding the implementation date of the Prospectus Directive (as defined below) in the United Kingdom, it has not offered or sold and, prior to or during the period of six months from the Issue Date, 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 businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, as amended;

- it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the “FSMA”) with respect to anything done by it in relation to the Trust Preferred Securities in, from or otherwise involving the United Kingdom; and
- it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Trust Preferred Securities in circumstances in which section 21(1) of the FSMA does not apply to the Trust or would not apply, in the case of the Guarantor, if it were not an authorized person.

Italian Selling Restrictions

The offering of the Trust Preferred Securities has not been submitted to the clearance procedure of 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”, as defined in Article 31, paragraph 2 of CONSOB Regulation No. 11522 of July 1, 1998 as amended (“Regulation No. 11522”), pursuant to Article 30, paragraph 2 and Article 100 of the Financial Act, or in any other circumstances where an express exemption from compliance with the solicitation restrictions provided by the Financial Act or CONSOB Regulation No. 11971 of May 14, 1999, as amended, applies.

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 Consolidated Banking Act, the Financial Act, Regulation No. 11522 and any other applicable laws and regulations;
- in compliance with Article 129 of the Consolidated Banking Act and the implementing instructions of the Bank of Italy (*Istruzioni di Vigilanza per le banche della Banca d’Italia*) pursuant to which, *inter alia*, 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 amount and the characteristics of the securities issued or offered in the Republic of Italy; and
- in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Lead Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of Trust Preferred Securities to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Trust Preferred Securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Trust Preferred Securities to the public in that Relevant Member State at any time:

- to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances which do not require the publication by the Trust of a prospectus pursuant to Article 3 of the Prospectus Directive.

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

Hong Kong Selling Restrictions

Each of the Lead Managers has represented and agreed that:

- it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Trust Preferred Securities other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- it has not offered or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Trust Preferred Securities which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong), other than with respect to Trust Preferred Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Singapore Selling Restrictions

Each of the Lead Managers acknowledges that the Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore and that the Trust Preferred Securities will be offered in Singapore pursuant to exemptions invoked under Sections 274 and 275 of the Securities and Futures Act 2001 (No. 42 of 2001) (the “Singapore Securities and Futures Act”). Accordingly, each of the Lead Managers represents and agrees that it has not circulated or distributed and will not circulate or distribute the Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Trust Preferred Securities, nor has it offered, sold or made, nor will it offer, sell or make, the Trust Preferred Securities the subject of any invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (a) to an institutional investor or other person specified in Section 274 of the Singapore Securities and Futures Act, (b) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the Singapore Securities and Futures Act or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Singapore Securities and Futures Act.

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 Trade and Companies in Luxembourg (*Registre du Commerce et des Sociétés*), 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 will obtain all necessary consents, approvals and authorizations in connection with the issue of the Trust Preferred Securities. The issuance of the Trust Preferred Securities will be authorized by the Trustees of the Trust on June 30, 2005. The issuance of the Subordinated Guarantees was authorized by the Bank on April 22, 2005.

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, 2004.

There has been no material adverse change in the financial position of the Trust since its creation and formation on May 13, 2005.

There has been no material adverse change in the financial position of the LLC since its creation and formation on May 10, 2005.

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 annual audited consolidated and non-consolidated financial statements and interim unaudited consolidated and 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). The Bank produces audited consolidated and non-consolidated financial statements on an annual basis, unaudited consolidated and non-consolidated financial statements on a semi-annual and quarterly basis.

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):

- By-laws (*statuto*) of the Bank;
- LLC Agreement;
- Trust Agreement and Certificate of Trust of the Trust;
- Subordinated Guarantees;
- Services Agreement;
- Agency Agreement;
- Calculation Agency Agreement;
- Account Agreement;
- Initial Banking Deposit 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 is XS0223454512 and the Common Code is 022345451.

Notices

All notices shall be deemed to have been given upon: (i) the mailing by first class mail, postage prepaid, of such notices to holders of the Trust Preferred Securities at their registered addresses as recorded in the register of holders of Trust Preferred Securities; and (ii) so long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange and it is required by the rules of the Luxembourg Stock Exchange, publication of such notice to the holders of Trust Preferred Securities in English in a leading newspaper having general circulation in Luxembourg (which is expected to be the *d'Wort*) or, if such publication is not practicable, in one other leading English language newspaper with general circulation in Europe, *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.

ANNEX A

FINANCIAL STATEMENTS AND AUDITORS' REPORTS

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AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS



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AUDITORS' REPORT PURSUANT TO ART. 156 OF LEGISLATIVE DECREE No. 58 OF FEBRUARY 24, 1998

To the Shareholders of
BANCA POPOLARE DI LODI S.C. A R.L.

1. We have audited the consolidated financial statements of Banca Popolare di Lodi S.c. a r.l. and subsidiaries as of December 31, 2004. These consolidated financial statements are the responsibility of the Bank's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The audit of the financial statements of certain subsidiaries which, with respect to the consolidated financial statements, represent approximately 4% of consolidated total assets and 5% of consolidated net operating income, is the responsibility of other auditors.

For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes as required by law, reference should be made to the auditors' report issued by us on April 7, 2004.

3. In our opinion, the consolidated financial statements present fairly the financial position of Banca Popolare di Lodi S.c. a r.l. and subsidiaries as of December 31, 2004, and the results of its operations for the year then ended in accordance with the Italian law governing financial statements.

DELOITTE & TOUCHE S.p.A.

Signed by
Riccardo Motta
Partner

Milan, Italy
April 11, 2005

This report has been translated into the English language solely for the convenience of international readers.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma
Torino Treviso Verona Vicenza

Member of
Deloitte Touche Tohmatsu

Sede Legale: Via Tortona, 25 - 20144 Milano
Capitale Sociale: sottoscritto e versato Euro 10.327.590,00 - deliberato Euro 10.850.000,00
Partita IVA/Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239

CONSOLIDATED FINANCIAL STATEMENTS OF THE BPL GROUP

Structure and Contents of the Consolidated Financial Statements

The consolidated financial statements as of December 31, 2004 of the BPL Group (the “Consolidated Financial Statements”) were prepared in accordance with the provisions of Legislative Decree No. 87 of January 27, 1992 which governed, in implementation of EEC Directive No. 86/635 and No. 89/117, the annual and consolidated accounts of the banks and institutions specified in the Bank of Italy Circular No. 166 of July 30, 1992 and subsequent amendments.

Contents of the Consolidated Financial Statements

The Consolidated Financial Statements comprise the consolidated balance sheet, the consolidated income statement and the notes to the Consolidated Financial Statements (the “Notes”), together with the auditors’ report. Furthermore, the annexes contain any additional information considered necessary, even if not specifically required by law. Thus, the following documents are attached to the Consolidated Financial Statements:

- Schedule of changes to the accounts of consolidated shareholders’ equity;
- Consolidated Statement of Income;
- Reclassified Consolidated Balance Sheet and Income Statement;
- Breakdown of the various investments of the BPL Group companies valued using the cost method of accounting;
- Statement of subordinated liabilities.

The Consolidated Financial Statements (and the financial statements of the Bank) were, in accordance with Article 155 of the Financial Act and with the resolution of the ordinary meeting of the Bank’s shareholders of April 24, 2004, subject to a review by Deloitte & Touche S.p.A., who have been appointed to audit the Bank’s annual financial statements for the three-year period from 2004 through 2006.

Comparability between the consolidated accounts for 2004 with those of the previous financial period

In order to ensure comparative figures after the changes in the scope of consolidation that occurred during the course of the year, described in detail in the Notes, it was decided not to adjust the consolidated balance sheet and income statement for the previous financial period.

Quarterly accounts as of December 31, 2004

In order to guarantee the level of disclosure and continuity required by Consob Regulation No. 11971 of May 14, 1999 and subsequent amendments on the preparation of quarterly reports, and to ensure comparability between the figures at December 31, 2004 with those shown in the quarterly report at September 30, 2004, reclassified accounting schedules are attached to those reports according to the methods specified for quarterly reports.

Consolidated Balance Sheets as at December 31, 2003 and 2004
(thousands of euro)

Assets	December 31, 2004	December 31, 2003
Cash on hand and deposits with central banks and post offices	243,669	250,012
Treasury bills and similar bills eligible for re-financing with central banks	215,428	48,029
Due from banks:	3,324,648	2,656,063
a) demand	888,865	761,433
b) other loans	2,435,783	1,894,630
Customer loans	25,812,617	26,756,484
of which:		
– loans with third-party funds under administration	18,349	2,790
Bonds and other debt securities:	4,094,181	4,517,668
a) public entities	1,476,565	1,905,107
b) banks	1,545,391	1,206,345
of which:		
– own securities	124,345	87,828
c) financial institutions	684,477	1,027,640
d) other issuers	387,748	378,576
Shares, quotas and other equities	1,661,577	1,608,261
Equity investments	1,341,362	1,256,319
a) valued at equity	169,664	141,326
b) other	1,171,698	1,114,993
Investments in group companies	99,159	81,091
a) valued at equity	98,742	80,461
b) other	417	630
Positive goodwill arising on consolidation	1,274,263	1,400,615
Positive goodwill arising on application of the equity method	39,311	7,542
Intangible fixed assets	706,812	709,885
of which:		
– start-up costs	3,409	3,658
– goodwill	418,687	430,671
Tangible fixed assets	745,754	831,579
Own shares	2,203	689
(par value €690,000.00)		
Other assets	3,192,166	3,375,937
Accrued income and prepaid expenses:	531,829	569,525
a) accrued income	340,636	372,958
b) prepaid expenses	191,193	196,567
of which:		
– issue premiums on securities	24,908	27,896
Total assets	43,284,979	44,069,699

Consolidated Balance Sheets as at December 31, 2003 and 2004 (continued)
(thousands of euro)

Liabilities	December 31, 2004	December 31, 2003
Due to banks:	4,975,242	4,199,203
a) demand	721,296	910,601
b) term or with notice	4,253,946	3,288,602
Due to customers:	14,029,764	14,386,038
a) demand	11,977,080	12,016,049
b) term or with notice	2,052,684	2,369,989
Securities issued:	14,706,119	15,691,673
a) bonds.....	13,611,182	14,207,183
b) certificates of deposit	874,578	995,550
c) other securities	220,359	488,940
Third-party funds under administration	5,113	5,257
Other liabilities	2,447,950	2,154,665
Accrued expenses and deferred income:	469,274	515,044
a) accrued expenses	319,856	349,871
b) deferred income	149,418	165,173
Provisions for severance indemnities	183,139	187,446
Provisions for contingencies and other charges:	414,304	748,895
a) pension fund and similar obligations	127,311	156,997
b) provision for taxation	201,627	516,472
d) other provisions	85,366	75,426
Reserve for loan losses	8,308	4,199
Reserve for general banking risks	5,000	5,000
Subordinated liabilities	2,038,019	2,269,026
Negative goodwill arising on consolidation	1,192	1,275
Negative goodwill arising on application of the equity method	2,118	639
Minority interests (+/-)	1,278,601	1,133,934
Share capital	885,127	862,228
Share premium account	1,557,521	1,557,521
Reserves:	85,328	241,455
a) legal reserve	52,899	46,115
b) reserve for own shares	2,203	689
c) statutory reserves	1,155	1,135
d) other reserves	29,071	193,516
Revaluation reserves	24,478	63,817
a) revaluation reserves	24,478	63,817
Retained earnings (accumulated losses)		
Net profit (loss) for the period	168,382	42,384
Total liabilities	43,284,979	44,069,699

Consolidated Balance Sheets as at December 31, 2003 and 2004 (continued)
(thousands of euro)

Guarantees and Commitments
(thousands of euro)

Captions	December 31, 2004	December 31, 2003
Guarantees given	2,303,842	2,771,538
of which:		
– acceptances	9,490	18,829
– other guarantees	2,294,352	2,752,709
Commitments	5,720,646	4,853,596
of which:		
– for sales with obligation to repurchase ..	4,824	4,824
Derivatives	113,792	172,035

Consolidated Income Statements for the Years Ended December 31, 2003 and 2004

(thousands of euro)

Captions	December 31, 2004	December 31, 2003
Interest income and similar revenue	1,663,219	1,694,498
of which:		
– on customer loans	1,394,360	1,382,516
– on fixed-interest securities	133,138	219,226
Interest expense and similar charges	795,188	870,106
of which:		
– on amounts due to customers	117,817	147,709
– on securities issued	587,403	506,925
Dividends and other revenues:	113,210	51,796
a) from shares, quotas and other equities	74,252	27,963
b) from equity investments	38,958	23,833
c) from investments in Group companies		
Commission income	621,230	554,834
Commission expense	176,071	151,645
Profits (losses) from financial transactions	45,770	24,791
Other operating income	312,762	226,323
Administrative expenses:	894,707	899,778
a) personnel expenses	495,394	485,887
of which:		
– wages and salaries	345,567	334,699
– Social Security contributions	93,469	95,466
– severance indemnities	25,136	25,337
– retirement benefits and similar obligations	13,154	16,216
b) other administrative expenses	399,313	413,891
Adjustments/writebacks to tangible and intangible fixed assets	234,610	237,369
Provisions for contingencies and other charges	21,202	13,294
Other operating expenses	15,819	7,164
Write-downs on loans and provisions for guarantees and commitments	257,815	275,416
Write-backs of adjustments to loans and provisions for guarantees and commitments	27,105	18,706
Provisions to the reserve for possible loan losses	7,903	
Adjustments to the value of financial fixed assets ..	51,171	28,618
Write-backs of adjustments to financial fixed assets		153
Profits (losses) of equity investments carried at equity	12,178	(2,802)
Profit (loss) from ordinary operations	340,988	84,909
Non-recurring income	152,861	188,785
Non-recurring expenses	97,693	130,476
Net non-recurring income (expenses)	55,168	58,309
Use of consolidated reserve for future risks and charges		
Change in the reserve for general banking risks		12,560
Income taxes for the period	128,161	66,237
Net profit (loss) for the period of minority interests	99,613	47,157
Net profit (loss) for the period	168,382	42,384

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2004

Consolidation Principles and Accounting Policies

Scope of consolidation

The consolidated financial statements include the financial statements of Banca Popolare di Lodi S.c.a.r.l. (the “Bank”), the parent bank, and of those companies operating in the banking or financial sectors, or whose main sector of activity is instrumental to that of the BPL Group companies, in which the Bank owns the majority of the share capital either directly or indirectly.

Equity investments in subsidiary companies not operating in the banking or financial sectors or whose main sector of activity is not instrumental to that of the BPL Group companies, are valued at equity.

Subsidiary companies acquired as part of merchant banking operations, or destined to be disposed of, are recorded at cost as adjusted to reflect their estimated realizable value.

Equity investments held jointly with other partners are consolidated using the proportional method.

Companies consolidated line-by-line or proportionally are included in the scope of consolidation on the basis of their balance sheets and income statements prepared as of the date control is acquired.

Investments in associated companies that are subject to significant management influence, with interests of between 20% and 50% are valued using the equity method.

Minority investments (interest of under 20%) and subsidiaries undergoing liquidation proceedings or destined to be sold, are valued at cost.

Part B, Section 3 of the Notes, provides a list of companies included in the scope of consolidation, investments valued using the equity method and other significant investments valued at cost.

Changes in the scope of consolidation

The changes in the scope of consolidation are set out below:

Companies Consolidated Line by Line

Included

By acquisition

Ottofin S.p.A.	100% acquisition made by Banca Valori S.p.A. and subsequently merged by absorption in Banca Valori S.p.A.
Criterium S.p.A.	Wholly-owned by Ottofin S.p.A. and subsequently merged by absorption in Banca Valori S.p.A.
Nazionale Fiduciaria S.p.A.	Previously wholly-owned by Criterium S.p.A. and now by Banca Valori S.p.A.
Critefi SIM S.p.A.	Wholly-owned by Nazionale Fiduciaria S.p.A.
AB Capital S.p.A.	By acquisition of 51% by Efibanca.
Area S.p.A.	By acquisition of 71.56% by the Bank and subsequent merger with Bipielle Investimenti S.p.A.
Abitarea S.r.l.	By acquisition of the Area Group and subsequent merger with Bipielle Investimenti S.p.A.
ABC Service S.r.l.	By acquisition of the Area Group and subsequent merger with Bipielle Investimenti S.p.A.
Area Business Plan S.p.A.	By acquisition of the Area Group and subsequent merger with Bipielle Investimenti S.p.A.
Area Finance S.r.l.	By acquisition of the Area Group and subsequent merger with Bipielle Investimenti S.p.A.
Area Banca S.p.A.	By acquisition of the Area Group and subsequent merger with Banca Bipielle Net S.p.A.

By launch of activity

Sofinspa S.p.A.	Set up in the 2003 previous financial year, it started trading in the 2004 financial year.
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Excluded

Deconsolidation

Bipielle Servizi S.A.	By launch of liquidation proceedings.
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COMPANIES CONSOLIDATED USING THE EQUITY METHOD

Included

By acquisition

Centrosim S.p.A.	By partial acquisition up to a total of 22.35%.
Arca SGR S.p.A.	By partial acquisition up to a total of 20.71%.
Area Life International Assurance Ltd	Following the acquisition of the Area Group and subsequent extraordinary operations, now wholly-owned by Bipielle International Holding S.A.
Royle West Ltd	Following the acquisition of the Area Group and subsequent extraordinary operations, now 99% owned by Bipielle Investimenti and 1% by Area Company S.r.l.
Area Company S.r.l.	Following the acquisition of the Area Group and subsequent extraordinary transactions, now wholly-owned by Bipielle Investimenti.
Buon Viaggio S.p.A.	Following the acquisition of the Area Group and subsequent extraordinary operations, now 50% owned by Bipielle Investimenti.

Excluded

By disposal

Immobiliare il Corso S.r.l.	Disposal of 100% to third parties by Bipielle Real Estate.
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Consolidation date

The reference date for the Consolidated Financial Statements coincides with the ending date for the financial statements of the Bank and most of the companies included in the consolidation.

Companies that end the financial year on a different date than the Bank prepare balance sheets and income statements on the reference date.

Financial Statements used in preparing the consolidated financial statements

The Consolidated Financial Statements have been prepared using the draft financial statements of consolidated companies as of December 31, 2004, as prepared and approved by their respective boards of directors before approval of the Consolidated Financial Statements by the Bank's board of directors. Where necessary, adjustments and reclassifications were made to ensure consistency of format and accounting policies throughout the BPL Group.

Financial statements for Bipielle Leasing have been prepared using the so-called "financial method".

The financial statements of the companies consolidated line-by-line and of the principal companies consolidated according to the equity method are subjected to a review by leading auditing firms.

Consolidation principles

The consolidation principles applied are those required by Legislative Decree no. 87 of January 27, 1992.

The book value of investments in companies whose financial statements are consolidated on a line-by-line basis is eliminated against the corresponding portion of the shareholders' equity.

Positive differences between the book value and the shareholders' equity on the date of acquisition, determined on the basis of the equity ratios, are classified as assets among "Goodwill arising on consolidation" since they represent the goodwill paid at the time the investments were purchased. These amounts are amortized on a straight-line basis over five years, or over a longer period if justified by the nature of the consolidation difference.

In particular, the goodwill arising on consolidation of investments in banks is amortized on a straight-line basis over twenty years, while goodwill arising on consolidation of equity investments in financial institutions is amortized over ten years.

The different periods of amortization are justified by the fact that the benefits relating to the higher price paid for these acquisitions are expected to materialize over these periods.

Negative differences between book value and the related shareholders' equity of the investments, based on equity ratios, have been classified under caption "Negative goodwill arising on consolidation." When companies belonging to the same group are acquired, any positive goodwill arising on consolidation of some of the companies by applying the equity ratios is offset against any negative goodwill arising on consolidation of the other group companies.

Where companies are valued using the equity method, the higher amount paid with respect to the corresponding portion of shareholders' equity, is classified as "Goodwill arising on application of the equity method." Such goodwill is amortized on a straight-line basis over five years, or over a longer period if justified by the nature of the difference identified.

Negative differences between the book value and shareholders' equity of the investments at the time they were purchased are classified as "Goodwill arising on the application of the equity method."

When companies belonging to the same group are acquired, any positive goodwill arising on the valuation of some of the companies under the equity method by applying the equity ratios is offset against any negative goodwill arising on valuation of the other companies.

Changes in shareholders' equity after the date used to calculate the aforementioned differences are classified as "Profit/losses from investments valued using the equity method" if they relate to the profit or losses of associated companies.

The portion of consolidated shareholders' equity attributable to shares or quotas belonging to minority interests are booked to "Minority interests." In particular, this caption is made up of portions of shareholders' equity of subsidiary companies included in the scope of consolidation, as well as portions of positive and negative goodwill arising on consolidation that pertain to minority interests on the basis of the equity ratios.

It should also be pointed out that the portion of shareholders' equity made up of revaluations pertaining to minority interests is shown separately.

Intragroup assets and liabilities and off-balance sheet transactions included in the consolidation, as well as income and charges relating to such transactions, gains and losses from trading transactions made between these companies are eliminated.

Functional currency

The Consolidated Financial Statements are expressed in thousands of euro.

Financial statements expressed in foreign currency are converted using current exchange rates. Thus, all the balance-sheet items have been converted at the exchange rate in effect at the end of the period. Shareholders' equity was converted at the exchange rate ruling on the applicable date. Average exchange rates for the year were used for the income statement items. Differences arising from the application of this method were recorded among the consolidated reserves.

Part A – ACCOUNTING POLICIES

The accounting policies adopted, as described below, to prepare the Consolidated Financial Statements, comply with Decree No. 87 of January 27, 1992 and with the Bank of Italy's Circular No. 166 of July 30, 1992 and subsequent amendments.

Section 1 – Description of accounting policies

1. *Loans, payables, guarantees and commitments*

1.1 Amounts due to and from banks

Amounts due from banks are stated at their estimated realizable value which, with the exception of loans to banks resident in certain countries considered at risk, coincides with their face value plus interest accrued with reference to the date of the financial statements.

The valuation of loans to banks resident in countries considered at risk includes an assessment of the debt-servicing capacity of the debtor's country of residence.

Amounts are shown at face value plus the interest accrued up to the date of the financial statements.

1.2 Customer loans and deposits

The amount shown for loans, which includes contractual and default interest accrued with reference to the date of the financial statements, coincides with their estimated realizable value.

This value is obtained by reducing the total amount by estimated losses of principal and interest, which are calculated on the basis of specific analyses of non-performing loans, the more significant problem loans, restructured loans and those currently being restructured. This writedown also includes a general provision against other problem loans and performing loans.

Loss estimates take account of the solvency of the debtor, and the debt-servicing capacity of the debtor's country of residence.

The original value of loans is written back if the reasons for the adjustments made no longer apply.

Deposits are booked at face value plus interest accrued up to the date of these financial statements.

1.3 Other receivables and payables

Other receivables and payables are shown at face value, plus any interest accrued up to the date of the financial statements. For receivables, this amount reflects their estimated realizable value.

1.4 Guarantees and commitments

Guarantees given are shown at the total value of the commitment.

Securities and foreign exchange to be received are booked at the forward price contractually agreed with the counterparty.

Commitments to disburse funds to counterparties and customers are shown at the amount to be settled.

Commitments to the forward purchase/sale of securities relating to contracts in place until the end of the period are valued on the basis applied in relation to the destination portfolio.

Risk related to guarantees given is assessed using the same method as for cash loans and adjusted for through a specific provision for contingencies and other charges.

2. *Securities and “off-balance sheet” transactions (other than those in foreign currency)*

Transactions in securities and other stock are entered in the books at the time of settlement.

2.1 Investment securities

Securities intended to be held on a long-term basis by the BPL Group are valued at specific cost. They are written down in the case of a permanent decline in the issuer’s solvency, or in the debt-paying capacity of the issuer’s country of residence, unless there are suitable guarantees. The original value is written back in subsequent years if the reasons for the writedown cease to apply.

The difference between the purchase cost and reimbursement value of debt securities is added to or subtracted from the interest produced by such securities on an accruals basis according to their duration.

Subordinated securities, originating from non-performing loan securitization deals and destined to remain permanently in the BPL Group’s portfolio, are valued using the regular reports prepared by the vehicle company on the securitisation operation.

Any transfers from the trading to the investment securities portfolio and vice versa, due to exceptional circumstances, are booked at the value on the transfer date resulting from the valuation method applying to the original portfolio.

2.2 Trading securities

Securities not considered to be long-term investments are valued as follows:

- for securities traded on official markets, at market value;
- for securities not traded on official markets, at the lower of cost or market value.

Shares issued by Undertakings for Collective Investment in Transferable Securities (“UCITS”) are considered traded if prices are quoted by organized markets or may be inferred on the basis of communications to the market of the management companies shown by specialist information sources.

Cost is determined under the LIFO method with annual increments and includes issue premiums accrued.

Market value is defined as follows:

- for securities traded on official markets, the average price for the last month of the period;
- for Italian and foreign unlisted securities, the estimated realizable value which, with regard to bonds and other debt securities, is obtained by discounting future financial flows at an appropriate market rate, chosen on an objective basis.
- for securities issued by UCITS:
 - at the period-end value, if prices are quoted by organized markets, or may be inferred on the basis of communications to the market of the management companies shown by specialist channels;
 - at the lower of cost or market value, in the absence of these reference parameters. In these cases, the market value is represented by the estimated realizable value, determined according to the methods specified above for securities other than the shares.

The original cost of unlisted securities is written back in future years if the reasons for the adjustment no longer apply.

Repurchase agreements on securities involving forward commitments are treated as funding and lending transactions. Accordingly, amounts received and paid are recorded as payables and loans. The cost of funding and income from investments, consisting of coupons matured on securities and the differences between their spot and forward prices, are booked on an accruals basis under interest income and interest expense.

2.3 Off-balance sheet transactions

Securities to be received or delivered, as per contracts signed but not settled at period-end, are valued using the method applying to the destination portfolio.

“Off-balance sheet” transactions concerning derivative contracts on securities, interest rates or indices are valued as follows:

- derivatives hedging assets or liabilities on or off-balance sheet are valued consistently with the assets and liabilities being hedged. The result of this valuation is booked to *Profits (losses) from financial transactions*;
- contracts for trading on own-account are valued at the market value. Market value is based on official quotations at the close of the financial period. Contracts that, even if not directly traded on organized markets, are similar to listed financial instruments (as their value is determined on the basis of objective parameters such as price, quotations or indices taken from information sources generally used at international level) are stated at their estimated realisable value. Differentials are recorded under *Profits (losses) from financial transactions*;
- contracts for trading on behalf of customers are valued at the market or estimated realisable value. Differentials are recorded under *Profits (losses) from financial transactions*. Commissions are accounted for upon stipulation of the contract;
- credit derivative contracts belonging to the “trading book” are valued at the lower of cost and market. In the event of matching trading contracts, any gains are only booked up to the extent of the losses accrued on the offsetting contract. The contractually agreed income and expenses for the sale and purchase of protection are booked to the income statement on an accruals basis under the caption *Profits (losses) from financial transactions*.

3. Equity investments

Equity investments in non-consolidated companies are valued at cost, which corresponds to their purchase or subscription price or to the value determined at the time of the contributions plus ancillary charges. Investments in foreign currency valued at cost are classified at the exchange rate ruling on the date of acquisition.

Cost is written down to reflect any permanent reductions in value if the investment suffers losses which are not expected to be absorbed by profits in the immediate future.

The original value is written back in future years if the reasons for the writedown cease to apply.

Dividends from companies not belonging to the BPL Group are booked to the period in which the dividends are received. They may be recorded in the year to which they refer, based on the proposals for distribution by the Bank’s board of directors, provided it is certain that they will be approved by the shareholders’ meeting.

4. Assets and liabilities in foreign currency (including “off-balance sheet” transactions)

Foreign currency assets, liabilities and spot “off-balance sheet” transactions are translated into euro at period-end spot exchange rates and the effect of any adjustments is booked to the income statement.

Forward “off-balance sheet” transactions are translated to the period-end forward exchange rates and the effect of this valuation is booked to the income statement.

Tangible, intangible and financial fixed assets are translated at the exchange rates ruling on the date of acquisition, if not covered by hedging contracts.

Costs and income in foreign currency are translated as of the date they are booked.

5. *Tangible fixed assets*

Tangible fixed assets are shown at cost, including ancillary charges, or at the value determined at the time of the contribution; certain assets have been adjusted in accordance with specific monetary revaluation laws or on the allocation of any merger deficits or on the allocation of the consolidation difference arising at first consolidation. The amount shown in the financial statements is stated net of accumulated depreciation.

Tangible fixed assets are depreciated each year on a straight-line basis over their estimated useful lives. They are written down in the case of permanent losses in value, regardless of the depreciation that has already been booked. However, their original value is written back in subsequent years if the reasons for the writedown no longer apply.

New assets are depreciated in their first year of operations at half the standard rate.

Maintenance costs resulting in an increase in value are booked to the asset to which they refer, and depreciated over the asset's residual useful life.

Buildings subject to leasing contracts are booked using the so-called "financial method" and depreciated at ordinary rates.

6. *Intangible fixed assets*

These are booked at cost, including ancillary charges, and amortized on a straight-line basis over their estimated useful lives. They are written down in the case of permanent losses in value, regardless of the depreciation that has already been booked. However, their original value is written back in subsequent years if the reasons for the writedown no longer apply.

Start-up and expansion costs and purchased goodwill are capitalized with the consent of the Bank's board of statutory auditors and amortized over a period of five years, or, in the case of goodwill, over a longer period if this is considered opportune given the period likely to benefit.

Intangible fixed assets also include the charges relating to the extraordinary payroll amounts and related awards granted to employees admitted to the "Solidarity Fund" set up by the Italian social security fund (INPS) under Ministerial Decree no. 158 dated April 28, 2000. These charges are booked to the income statement on a straight-line basis over five years, as allowed by Article 59.3 of Law 449/97 which confirmed the applicability of Article 1.3 bis of Decree no. 364 dated August 14, 1992.

7. *Other information*

7.1 *Securitization transactions*

The Group has carried out various securitizations based on the provisions of Law no. 130 of April 30, 1999.

These securitizations form part of a project to liquidate over time both performing loans and loans that are proving difficult to collect. The difference between the net book value of the loans sold and the proceeds of the disposal has been booked to the income statement.

If junior class securities are subscribed, the amounts relating to the additional return are booked to the other operating income.

Junior notes in portfolio have been written down to reflect the results of the loan portfolio sold to the vehicle companies.

7.2 Interest income and expense, other expenses and income

Interest income and expense, as well as other expenses and income are calculated in accordance with the matching principle.

7.3 Accruals and deferrals

These relate to transactions associated with more than one accounting period and are recorded in accordance with the matching principle.

7.4 Third-party funds under administration

This represents the amount to third-party principals at the end of the period. Movements consist of the following:

- the face value of liquid funds deposited by principals and invested on their behalf;
- increases accrued during the period and in previous periods from the administration of those funds. Such increases comprise the difference between income earned and the costs incurred for administration;
- withdrawals of funds previously deposited.

7.5 Provisions for severance indemnities

The provision for severance indemnities covers the liability to all employees, accrued in accordance with current laws and national and in-house labour contracts.

7.6 Pension fund

The pension fund represents commitments by each BPL Group company to retired or current employees.

The funds set up by the individual BPL Group companies are based on supplementary agreements reached by each company and generally comprise two parts: a “defined benefits” scheme and a “defined contributions” scheme.

Commitments relating to the defined benefits scheme are based on actuarial calculations, while those referring to the defined contributions scheme represent the final amount payable, consisting of contributions paid by the companies and their employees, and whose administration is governed by specific regulations.

7.7 Provision for taxation

The provision for taxation includes provisions required to cover actual tax charges estimated on the basis of current tax regulations, taking account of any exemptions and tax credits. The provision also includes any provisions for deferred tax liabilities.

Deferred tax assets and liabilities are recognised on all timing differences between the accounting and tax value of asset and liabilities. Deferred tax assets are recorded to the extent that future taxable income is likely to be sufficient to allow these timing differences to be recovered.

Deferred tax liabilities are recognized to the extent that the conditions for payment are expected to be satisfied in future years.

7.8 Other provisions

Other provisions cover losses on guarantees given on other commitments, as well as known or probable liabilities whose extent or timing could not be determined at period end or by the date of the consolidated financial statements.

Provisions against these liabilities reflect the most accurate estimate possible based on the available information.

7.9 Reserve for loan losses

The reserve for possible loan losses consists of provisions made against potential risks only, and so it is not classified as an adjustment to assets.

7.10 Reserve for general banking risks

This reserve covers general business risks and is therefore part of shareholders' equity. The net change during the period is reflected in the income statement.

7.11 Leasing transactions

Leasing transactions are reported in the Consolidated Financial Statements using finance lease methodology, whereby the initial loan (representing the value of the asset leased) is reduced by reference to an amortization schedule calculated using the interest rate implicit in the contract. That portion of lease payments not representing repayments of principal is recorded as interest income on an accruals basis.

Section 2 – Adjustments and provisions for tax purposes

The reform of Italian company law (Legislative Decree No. 6 of January 17, 2003) no longer allows companies to make adjustments and provisions solely for tax purposes.

Article 7.1 b) and c) of Legislative Decree No. 37 of February 6, 2004 repealed articles 15.3 and 39.2 of Legislative Decree No. 87/92, which previously allowed banks to make such adjustments and provisions.

This change does not have any impact on consolidated shareholders' equity or the consolidated results.

Information required by Consob communication No. 1011405 of February 15, 2001

The information required by Consob communication No. 1011405 of February 15, 2001 is as follows:

A. Low-interest mortgage loans

Article 29 of Law No. 133 of May 13, 1999 gives institutions that granted interest subsidies and the recipients of these subsidies a chance to renegotiate the loans with the lending bank in the event that the interest rate applied is higher than the one established by Law No. 108/96 (the so-called “anti-usury law”).

The BPL Group issued very few loans of this type, so the problem will not have any significant effect.

Fixed-rate mortgage loans without special interest terms

The Italian Constitutional Court’s ruling of February 29, 2002 held that Article 1.2 of Decree No. 394 of December 29, 2000 to be invalid, in the part where it states that interest has to be recalculated on instalments falling due after January 2, 2001, instead of from the date when the decree entered into force.

In the past the BPL Group banks had adjusted the interest rate on the few contracts which exceeded the ceiling set forth in Decree No. 394.

C. Interest on accrued interest

With regard to the issue of compound interest (i.e., anatocism) in recent financial years, the Constitutional Court’s ruling No. 425 of October 9, 2000, which held that Article 25, subsection 3 of Legislative Decree No. 342 of August 4, 1999 is unlawful as to the clauses relating to the production of interest on accrued interest has generated an initial series of complaints about the system, designed to open a debate on the methods of calculating interest used prior to the ruling. On October 7, 2004 the Court of Cassation also entered the debate. The BPL Group’s banks received out-of-court claims from customers seeking reimbursement of amounts charged in accordance with the anatocism requirements for calculating interest but the number of complaints was limited. Taking into account the guidelines issued by the ABI (the Italian Bankers’ Association) and more generally, the banking system, and considering the quarterly capitalization of interest paid, registered to current accounts prior to the entry into force of the CICR Resolution of February 9, 2000 (as acknowledged by several judgments of the Court of Cassation) to be fully lawful, as well as the paltry amounts involved and the perceived lack of grounds for the requests made, the BPL Group banks did not consider it necessary to make specific provisions in the period.

Part B – INFORMATION ON THE CONSOLIDATED BALANCE SHEET

Section 1 – Loans

	2004	2003	% Change
<i>Caption 10</i>			
Cash on hand and deposits with central banks and post offices	243,669	250,012	(2.54)
<i>Caption 30</i>			
Due from banks.....	3,324,648	2,656,063	25.17
<i>Caption 40</i>			
Customer loans	25,812,617	26,756,484	(3.53)

Cash on hand and deposits with central banks (caption 10)

	2004	%	2003	%
Notes and coins in euro.....	221,053	90.72%	233,316	93.32%
Notes and coins in foreign currency	9,654	3.96%	5,800	2.32%
Drafts and bank cheques	197	0.08%	34	0.01%
Deposits with the Bank of Italy	3,405	1.40%		
Deposits with other central banks	2,308	0.95%	3,661	1.46%
Deposits with post offices	7,052	2.89%	7,201	2.88%
Total	243,669	100.00 %	250,012	100.00 %

Due from banks (caption 30)

The caption shows a balance of €3,324.6 million and includes the following technical forms:

	2004	%	2003	%
Deposits with the Bank of Italy	224,799	6.76%	99,385	3.74%
for compulsory reserve	224,799	6.76%	99,385	3.74%
for other transactions.....	—	—	—	—
Due from banks.....	3,099,849	93.24%	2,556,678	96.26%
for current accounts.....	690,466	20.77%	726,851	27.37%
for deposits	1,380,617	41.53%	1,633,354	61.50%
for loans.....	36,270	1.09%	42,014	1.58%
for repurchase agreements	975,452	29.34%	82,456	3.10%
for other transactions.....	17,044	0.51%	72,003	2.71%
Total	3,324,648	100.00 %	2,656,063	100.00 %

1.1 Analysis of caption 30 “Due from banks”

a)	deposits with central banks	224,799
b)	bills eligible for refinancing with central banks	—
c)	leasing transactions	—
d)	repurchase agreements	1,240,211
e)	securities loaned	2,873

An analysis of the gross and net amounts due from banks as of December 31, 2004 is provided in the table below:

1.2 Analysis of gross and net amounts from banks

Categories/Amounts		Gross value	Total adjustments	Net value
A.	Doubtful loans	1,489	668	821
A.1.	Non-performing loans	668	668	—
A.2.	Problem loans.....	—	—	—
A.3.	Loans currently being restructured	—	—	—
A.4.	Restructured loans	—	—	—
A.5.	Unsecured loans exposed to country risk	821	—	821
B.	Performing loans	3,323,827	—	3,323,827

1.3 Movements in doubtful amounts due from banks

Description/Categories		Non- performing loans	Problem loans	Loans currently being Restructured	Unsecured loans exposed to country risk
A.	Opening gross value	668	—	—	803
A.1.	including: for default interest	—	—	—	—
B.	Increases	—	—	—	125
B.1.	inflows of performing loans ..	—	—	—	—
B.2.	default interest.....	—	—	—	—
B.3.	transfers from other categories of doubtful loans	—	—	—	—
B.4.	other increases.....	—	—	—	125
C.	Decreases	—	—	—	107
C.1.	outflows to performing loans	—	—	—	—
C.2.	write-offs	—	—	—	—
C.3.	collections	—	—	—	65
C.4.	disposals	—	—	—	—
C.5.	transfers to other categories of doubtful loans	—	—	—	—
C.6.	other decreases	—	—	—	42
D.	Closing gross value	668	—	—	821
D.1.	including: for default interest	—	—	—	—

1.4 *Movements during the year in adjustments made to amounts due from banks*

Description/Categories		Non- performing loans	Problem loans	Loans currently being restructured	Restructured loans	Unsecured loans exposed to county risk	Performing loans
A.	Total opening adjustments	668	—	—	—	—	—
	A.1. including: for default interest ..						
B.	Increases	—	—	—	—	—	—
	B.1. adjustments.....	—	—	—	—	—	—
	B.1.1. including: for default interest ..						
	B.2. use of reserve for loan losses	—	—	—	—	—	—
	B.3. transfers from other categories of loans	—	—	—	—	—	—
	B.4. other increases ..						
C.	Decreases.....	—	—	—	—	—	—
	C.1. writebacks from valuations	—	—	—	—	—	—
	C.1.1. including: for default interest ..						
	C.2. Writebacks of collections	—	—	—	—	—	—
	C.2.1. including: for default interest ..						
	C.3. write-offs	—	—	—	—	—	—
	C.4. transfers to other categories of doubtful loans	—	—	—	—	—	—
	C.5. other decreases ..	—	—	—	—	—	—
D.	Total closing adjustments	668	—	—	—	—	—
	D.1. including: for default interest ..	—	—	—	—	—	—

Customer loans (caption 40)

The caption shows a balance of €25,812.6 million and includes the following technical forms:

	2004	%	2003	%
Current accounts	7,700,758	29.83%	6,230,629	23.29%
Short-term loans other than overdrafts	1,481,337	5.74%	3,005,314	11.23%
Import-export financing	491,485	1.90%	536,848	2.01%
Discounted portfolio	714,315	2.77%	671,178	2.51%
Advances for transactions with recourse	972,515	3.77%	1,817,891	6.79%
Repurchase agreements	20,112	0.08%	20,102	0.08%
Mortgage loans	10,936,340	42.37%	10,521,121	39.32%
Consumer loans	1,200,326	4.65%	1,260,107	4.71%
Leasing transactions	445,124	1.72%	486,743	1.82%
Other subsidies	1,403,958	5.44%	1,897,732	7.09%
Non-performing loans	446,347	1.73%	308,819	1.15%
TOTAL	25,812,617	100.00%	26,756,484	100.00%

The caption “Mortgage loans” includes medium to long-term loans of about €3,853.6 million paid by Efibanca, mainly to companies, where repayments are regulated by an amortization schedule.

1.5 Analysis of caption 40 “Customer loans”

a)	bills eligible for refinancing with central banks	5,250
b)	leasing transactions	–
c)	repurchase agreements	20,112
d)	securities loaned	–

1.6 Secured customer loans

a)	by mortgages	7,160,501
b)	by pledges on:	1,317,290
	1. cash deposits.....	331
	2. securities.....	1,213,947
	3. other instruments	103,012
c)	by guarantees from:.....	3,672,356
	1. Governments	–
	2. other public entities	5,798
	3. banks.....	85,348
	4. other operators	3,581,210

The criteria adopted for the classification and valuation of doubtful loans are discussed below, as required by the Bank of Italy.

Loans are classified as non-performing if the customer is in receivership or other court-approved arrangement, or is subject to debt-recovery proceedings initiated by the Bank or other creditors. The BPL Group also classifies loans as non-performing if the customer faces a serious financial crisis that cannot be considered temporary and which will require the start of legal proceedings, even if such proceedings have not formally commenced.

Amounts are classified as problem loans when the customer faces financial difficulties that are considered to be temporary (i.e. can be overcome within a reasonable period of time). Loans are classified for Bank of Italy reporting purposes as restructured, or as currently being restructured, when the amounts are due from companies or groups that have renegotiated the terms of their lines of credit in order to stabilize their financial positions.

Non-performing loans are valued on a case-by-case basis to determine the status of each account.

The more significant problem loans are analyzed on a case-by-case basis, while the losses expected on other accounts are estimated on an overall basis by reference to statistics and past experience.

Restructured loans and those currently being restructured are valued on a case-by-case basis with reference to the individual accounts or groups of accounts, taking into consideration the related loss of interest income.

Performing loans are adjusted on a general basis to take account of the inherent lending risk determined with reference to statistics and past experience.

Total writedowns charged to the income statement amounted to €257.8 million, while writebacks on loans credited to the income statement totalled €27.1 million.

With regard to the valuation of the loans to the Parmalat Group, it should be noted that the recovery ratios determined definitively by the extraordinary administration proceedings, published in the Official Gazette of September 11, 2004 and subsequent amendments and additions were applied.

1.7 Analysis of gross and net customer loans

Analysis of gross and net customer loans as of December 31, 2004 is provided in the table below:

1.7 Analysis of gross and net customer loans

Categories / Amounts		Gross value	Total adjustments	Net value
A.	Doubtful loans	1,471,520	427,586	1,043,934
	A.1. Non-performing loans	680,404	234,057	446,347
	A.2. Problem loans	526,846	161,008	365,838
	A.3. Loans currently being restructured	16,773	1,468	15,305
	A.4. Restructured loans	214,713	30,913	183,800
	A.5. Unsecured loans exposed to country risk	32,784	140	32,644
B.	Performing loans	24,831,567	62,884	24,768,683

With regard to the gross value of the non-performing loans, it should be noted that the amount is shown net of the write-offs made under the disposals to Bipielle Società di Gestione del Credito S.p.A. The level of cover for non-performing loans, gross of these write-offs, is around 62%.

1.8 *Movements in doubtful loans to customers*

Description/Categories		Non-performing loans	Problem loans	Loans currently being restructured	Restructured loans	Unsecured loans exposed to country risk
A.	Opening gross value	524,951	508,774	32,358	146,008	12,027
	A.1. including: for default interest	37,660	92,029	1,056	–	–
B.	Increases	587,401	539,368	1,141	105,161	24,321
	B.1. inflows of performing loans	107,396	489,673	342	92,112	–
	B.2. default interest	7,561	11,233	799	–	–
	B.3. transfers from other categories of doubtful loans	322,202	538	–	–	–
	B.4. other increases	150,242	37,924	–	13,049	24,321
C.	Decreases	431,948	521,296	16,726	36,456	3,564
	C.1. outflows to performing loans	7,697	82,369	8,834	11,118	–
	C.2. write-offs	180,974	3,404	–	2,072	–
	C.3. collections.....	63,873	113,410	5,868	20,858	3,564
	C.4. disposals	142,952	–	–	–	–
	C.5. transfers to other categories of doubtful loans	538	318,388	2,024	1,790	–
	C.6. Other decreases	35,914	3,725	–	618	–
D.	Closing gross value.....	680,404	526,846	16,773	214,713	32,784
	D.1. including: for default interest	27,231	100,000	949	–	28

1.9 Movement in adjustments made to customer loans

Description/Categories		Non-performing loans	Problem loans	Loans currently being restructured	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A.	Total opening adjustments	216,132	144,408	–	22,595	30	64,863
	A.1. including: for default interest ..	29,705	87,112	–	–	–	–
B.	Increases	238,871	49,656	1,468	10,943	110	49,043
	B.1. Adjustments	138,414	35,576	1,468	9,778	110	44,173
	B.1.1. including: for default interest ..	2,592	7,966	–	–	–	–
	B.2. Use of reserve for loan losses ..	33,990	10	–	1,130	–	–
	B.3. Transfer from other categories of loans	52,721	9,735	–	–	–	–
	B.4. Other increases ..	13,746	4,335	–	35	–	4,870
C.	Decreases	220,946	33,056	–	2,625	–	51,022
	C.1. Writebacks from valuations	11,441	1,420	–	553	–	1,070
	C.1.1. including: for default interest ..	–	–	–	–	–	–
	C.2. Writebacks of collections	3,368	895	–	–	–	212
	C.2.1. including: for default interest ..	2,406	–	–	–	–	–
	C.3. Write-offs	203,485	3,683	–	2,072	–	10,431
	C.4. Transfer to other categories of loans	–	26,656	–	–	–	35,700
	C.5. Other decreases	2,652	402	–	–	–	3,609
D.	Total closing adjustments	234,057	161,008	1,468	30,913	140	62,884
	D.1. including: for default interest ..	28,694	94,770	–	–	–	1,297

The writebacks from valuations on loans include, for €9.3 million, the results of the review of the valuations of Parmalat Group companies on the basis of the recovery ratios determined definitively by the extraordinary administration proceedings.

Section 2 – Securities

The Group's securities portfolio is shown in the financial statements as follows:

	2004	2003	% Change
<i>Caption 20</i>			
Treasury bills and similar bills eligible for re-financing with central banks	215,428	48,029	349%
<i>Caption 50</i>			
Bonds and other debt securities:	4,094,181	4,517,668	(9)%
<i>Caption 60</i>			
Shares, quotas and other equities	1,661,577	1,608,261	3%
Total	5,971,186	6,173,958	(3)%
of which:			
Investment securities	454,049	528,099	(14)%
Trading securities	5,517,137	5,645,859	(2)%

2.1 Investment securities

Captions/Amounts	Book value	Market value
1. Debt securities	454,049	450,545
1.1 Government securities	82,899	85,041
– listed	82,899	85,041
– unlisted	–	–
1.2 Other securities	371,150	365,504
– listed	36,510	37,366
– unlisted	334,640	328,138
2. Equities		
– listed	–	–
– unlisted	–	–
Total	454,049	450,545

Investment securities

Investment securities, totalling €454 million, are held as long-term investments.

The securities included in the investment portfolio have characteristics identified by the boards of directors of each BPL Group company in specific framework resolutions:

- long-dated securities to be held as long-term investments in view of their favourable yields;
- securities which are harder to trade, and will therefore remain in the portfolio until maturity;
- securities serving as guarantees to third parties.

As of December 31, 2004, comparisons between the book value and market value of listed securities, intended as the average price for the last six months, showed an unrealized net loss of €3.5 million.

2.2 Change during the year in investment securities

A.	Opening balance	528,099
B.	Increases	111,964
	B1. Purchases	111,532
	B2. Writebacks	—
	B3. Transfers from the trading portfolio	—
	B4. Other changes	432
C.	Decreases	186,014
	C1. sales	106,087
	C2. redemptions	19,714
	C3. adjustments	45,564
	of which: permanent writedowns	40,053
	C4. transfers to trading portfolio	10,292
	C5. Other changes	4,357
D.	Closing balance	454,049

Sales of investment securities were realised by the Bank for €26 million, and by Efibanca for €80.1 million, with respect to specific framework resolutions, following a partial reconstruction of the investment portfolio. In particular, with respect to the securities sold by Efibanca, sales refer to securities purchased previously as loan “substitutes” vis-à-vis customers.

2.3 Trading securities

Captions/Amounts		Book value	Market value
1.	Debt securities	3,855,559	3,857,212
	1.1 Government securities	1,600,663	1,600,666
	– listed	1,596,877	1,596,877
	– unlisted	3,786	3,789
	1.2 Other securities	2,254,896	2,256,546
	– listed	330,431	330,432
	– unlisted	1,924,465	1,926,114
2.	Equities	1,661,577	1,661,578
	– listed	1,105,158	1,105,158
	– unlisted	556,419	556,420
Total		5,517,136	5,518,790

Trading securities

2.4 Change during the year in trading securities

A.	Opening balance	5,645,859
B.	Increases	21,037,908
	B1. Purchases	20,929,317
	Debt securities	18,300,766
	+ Government securities	9,165,778
	+ other securities	9,134,988
	- Equities	2,628,551
	B2. Writebacks and revaluations	76,348
	B3. Transfers from investment portfolio	10,292
	B4. Other changes	21,951
C.	Decreases	21,166,631
	C1. Sales and redemptions	21,136,579
	- Debt securities	18,509,971
	+ Government securities	9,443,924
	+ other securities	9,066,047
	- Equities	2,626,608
	C2. Adjustments	18,386
	C3. Transfers to investment portfolio	—
	C4. Other changes	11,666
D.	Closing balance	5,517,136

The valuation of securities gave rise to an adjustment of €18.4 million and writebacks and revaluations of €76.3 million which have been booked to the income statement.

Section 3 – Equity investments

3.1 Major investments

Name	(1)	(2)	(3)	(4)	(5.1)	(5)	(5.2)	(6)	(7)
A	Consolidated companies								
A.1.	Line-by-line method								
	New York	1	1,067	18	Banca Popolare di Lodi	.....	100,00	100,00	
	New York	1	1,056	17	Banca Popolare di Lodi	.....	100,00	100,00	
	Lodi	1	10,643	279	Banca Popolare di Lodi	.....	100,00	100,00	
	Lodi	1	2,057,676	94,708	Banca Popolare di Lodi	.....	86,98	86,98	
	Lucca	1	1,849,345	89,775	Banca Popolare di Lodi	.....	66,90	66,90	
	Lodi	1	3,500	831	Banca Popolare di Lodi	.....	100,00	100,00	
	Crema	1	288,307	7,613	Reti Bancarie Holding	.....	94,00	94,00	
	Cremona	1	212,422	14,146	Reti Bancarie Holding	.....	99,39	99,39	
	Mantova	1	21,995	254	Reti Bancarie Holding	.....	52,32	52,32	
	Brescia	1	56,721	2,752	Reti Bancarie Holding	.....	61,09	61,09	
	Lodi	1	27,487	(5,606)	Reti Bancarie Holding	.....	70,00	70,00	
	Lugano	1	4,693	13	Cassa di Risparmio di Lucca	.....	30,00	30,00	
	Lucca	1	1,228,026	61,439	Reti Bancarie Holding	.....	100,00	100,00	
	Livorno	1	299,414	7,003	Reti Bancarie Holding	.....	58,42	58,42	
	Pisa	1	503,746	1,755	Cassa di Risparmio di Lucca	.....	100,00	100,00	
	Pescara	1	98,894	10,860	Reti Bancarie Holding	.....	51,00	51,00	
	Lugano	1	34,001	5,099	Bipelle International Holding	.....	86,00	86,00	
	London	1	1,410	687	Bipelle International Holding	.....	72,00	72,00	
	Zurich	1	114	2	Bipelle Bank (Suisse)	.....	100,00	100,00	
	Lodi	1	88,040	6,240	Bipelle Investimenti	.....	98,86	98,86	
	Lodi	1	2,901	855	Bipelle Investimenti	.....	20,00	20,00	
	Lodi	1			Bipelle Fondicri	.....	80,00	80,00	
	Lucca	1	301,515	20,196	Bipelle Investimenti	.....	100,00	100,00	
	Pisa	1	32,081	5,401	Bipelle Investimenti	.....	98,55	98,55	
	Lodi	1	62,909	10,681	Bipelle Investimenti	.....	96,96	96,96	
	Lodi	1	410,521	20,637	Bipelle Investimenti	.....	100,00	100,00	
	Lodi	1	10,779	3	Bipelle Investimenti	.....	100,00	100,00	
	Rome	1	713,267	23,272	Bipelle Investimenti	.....	99,61	99,61	
	Rome	1	139,645	14,940	Bipelle Investimenti	.....	100,00	100,00	
	Luxembourg	1	107	190	Bipelle Real Estate	.....	90,00	90,00	
	Lodi	1	498,983	18,215	Bipelle Investimenti	.....	100,00	100,00	
	Lodi	1	194	54	Banca Bipelle Network	.....	100,00	100,00	
	Cremona	1	3,434	627	Bipelle Riscossioni	.....	50,93	50,93	
	Conegliano	1	21	3	Banca Popolare di Lodi	.....	60,00	60,00	
	Milan	1	19	(2)	Bipelle Gestione del Credito	.....	60,00	60,00	
	Brescia	1	1,734	647	Banca Valori	.....	100,00	100,00	
	Brescia	1	1,158	171	Nazionale Fiduciaria	.....	100,00	100,00	
	Pescara	1	1,828	(229)	Eifbanca	.....	51,00	51,00	
	Rome	1	492	4	Eurostemi	.....	100,00	100,00	
B.	Equity investments valued at equity								
	Arca Merchant S.p.A. – Arca BIM S.p.A.	8	85,936	1,813	Banca Popolare di Lodi	.....	14,72	14,72	23,855
	Assipromos S.r.l.	8	53		Banca Popolare di Crema	.....	12,54	12,54	18
	Castinn S.r.l.	1	1,194	(71)	Cassa di Risparmi di Livorno	.....	34,00	34,00	1,194
	Bipelle Broker S.r.l.	1	566	476	Banca Popolare di Lodi	.....	95,00	95,00	822
	Eifbanca Palladio Finanziaria SGR S.p.A.	8	7,036	561	Eifbanca	.....	50,00	50,00	3,518
	Gruppo Palladio Finanziaria	8	180,871	15,063	Eifbanca	.....	21,21	21,21	38,363

- (1) Registered office
(2) Type of relationship
(3) Shareholders' equity
(4) Profit/Loss
(5) Investment relationship:
(5.1) Owned by
(5.2) % held
(6) % of voting rights at the annual general meeting
(7) Consolidated book value

Name	(1)	(2)	(3)	(4)	(5.1)	(5)	(5.2)	(6)	(7)
– Unione Fiduciaria S.p.A.	Milan	8	17,634	1,861	Banca Popolare di Lodi	Banca Popolare di Lodi	20,17	20,17	7,518
– Finco S.r.l.	Milan	8	146,782	4,652	Banca Popolare di Crema	Banca Popolare di Crema	20,00	20,00	76,195
– Area Company S.r.l.	Segrate (MI)	1	4,084	14,084	Bipelle Investimenti	Bipelle Investimenti	50,00	50,00	14,584
– Buon Viaggio S.p.A.	Milan	8	2,019	(1,026)	Bipelle Investimenti	Bipelle Investimenti	100,00	100,00	1,009
– Royle West Ltd.	Dublin	1	(146)	(7)	Bipelle Investimenti	Bipelle Investimenti	50,00	50,00	99,00
– Area Life International Assurance Ltd.	Dublin	1	11,585	(3,307)	Area Company	Area Company	1,00	1,00	11,585
– Basileus S.p.A.	Bologna	1	35,413	2,585	Bipelle International Holding	Bipelle International Holding	100,00	100,00	70,557
– Cartesio Alternative Investments SGR S.p.A.	Milan	8	2,299	(62)	Banca Popolare di Lodi	Banca Popolare di Lodi	100,00	100,00	920
– Centrosim S.p.A.	Milan	8	16,625	(3,027)	Banca Popolare di Lodi	Banca Popolare di Lodi	5,00	5,00	3,716
– Banca Popolare di Crema					Banca Popolare di Crema	Banca Popolare di Crema	4,85	4,85	
– Banca Popolare di Cremona					Banca Popolare di Cremona	Banca Popolare di Cremona	2,50	2,50	
– Cassa di Risparmio di Lucca					Cassa di Risparmio di Lucca	Cassa di Risparmio di Lucca	5,00	5,00	
– Cassa di Risparmio di Pisa					Cassa di Risparmio di Pisa	Cassa di Risparmio di Pisa	5,00	5,00	
– Banca Popolare di Lodi					Banca Popolare di Lodi	Banca Popolare di Lodi	10,28	10,28	14,553
– Banca Popolare di Crema					Banca Popolare di Crema	Banca Popolare di Crema	5,12	5,12	
– Banca Popolare di Cremona					Banca Popolare di Cremona	Banca Popolare di Cremona	5,31	5,31	
– Arca SGR S.p.A.	Milan	8	64,272	7,835					
C. Other major investments									
– Acque Minerali Riunite S.p.A.	Rome	1	22,820	(6)	Efibanca	Efibanca	100,00	100,00	22,822
– Alfa Iota 2002 S.r.l.	Milan	8	35	(98)	Efibanca	Efibanca	35,00	35,00	12
– Ali S.p.A.	Rome	8	5,020	(2,644)	Efibanca	Efibanca	28,35	28,35	6,289
– Angiolucci International S.A.	Luxembourg	8	1,591	(59)	Efibanca	Efibanca	39,39	39,39	650
– Area Media Web S.r.l.	Verdellino (BG)	1	10		Bipelle Investimenti	Bipelle Investimenti	50,00	50,00	5
– Aurora Shipping S.p.A.	Naples	8	6,505	–	Efibanca	Efibanca	45,00	45,00	2,927
– Bipelle Servizi SA	Lugano	1	384	(3)	Bipelle International Holding	Bipelle International Holding	100,00	100,00	324
– Black & Blue GMBH	Munich	8	(38)	445	Efibanca	Efibanca	24,82	24,82	701
– Bradeise Seconda S.r.l.	Rome	1	50	(95)	Efibanca	Efibanca	100,00	100,00	68
– Carid S.r.l.	Rome	1	40	(16)	Bipelle Investimenti	Bipelle Investimenti	100,00	100,00	93
– Co.Im.A. S.r.l.	Acireale (CT)	8	116	(4)	Banca Popolare di Lodi	Banca Popolare di Lodi	33,33	33,33	220
– Comital S.p.A.	Volpiano (TO)	8	42,182	97	Efibanca	Efibanca	28,50	29,57	12,205
– Dalmid S.p.A.	Orgiano (VI)	8	3,585	218	Efibanca	Efibanca	50,00	50,00	2,070
– Deroma S.p.A.	Malo (VI)	8	16,847	(49,287)	Efibanca	Efibanca	66,29	38,71	12,861
– Eurocasse Sim S.p.A. (in liquidation)	Milan	8	(14,157)	(570)	Bipelle Investimenti	Bipelle Investimenti	20,79	20,79	–
– Fidia Farmaceutici S.p.A.	Abano Terme (PD)	8	73,195	13,332	Cassa di Risparmio di Lucca	Cassa di Risparmio di Lucca	0,19	0,19	–
– Finanziaria I.C.C.R.I. Bruxelles Lambert S.p.A.					Efibanca	Efibanca	20,00	20,00	1
– (in liquidation)									
– Istituto Pisano Leasing S.p.A. (in liquidation)	Milan	8	24,357	150	Bipelle Investimenti	Bipelle Investimenti	50,00	50,00	1,309
– Kinlab S.p.A.	Pisa	1	40	123	Cassa di Risparmio di Lucca	Cassa di Risparmio di Lucca	99,99	99,99	–
– Leisse S.r.l.	S.Giovanni T. (CH)	8	–	–	AB Capital	AB Capital	20,23	20,23	–
– Plastisud S.r.l.	Gressan	1	4,158	(981)	Bipelle Real Estate	Bipelle Real Estate	100,00	100,00	2,850
– Qualiter S.c.a.r.l.	Sulmona (AQ)	8	582	1	AB Capital	AB Capital	20,54	20,54	187
– Quantoro S.r.l.	Pescara	8	54	(2)	AB Capital	AB Capital	30,00	30,00	24
– Società Case Popolari S.c.r.l.	Mosciano S.A. (PE)	8	(182)	–	AB Capital	AB Capital	23,33	23,33	–
– Sofis Energia S.r.l.	Cremona	8	507	3	Banca Popolare di Cremona	Banca Popolare di Cremona	22,03	22,03	–
– Solidarietà e Finanza Sim S.p.A.	Pescara	8	88	(2)	AB Capital	AB Capital	33,00	33,00	32
– Tirrena Professional Factor S.p.A. (in liquidation)	Milan	8	1,479	(188)	Bipelle Investimenti	Bipelle Investimenti	20,00	20,00	413
– Trentino Welcome S.p.A.	Pisa	1	(316)	(101)	Cassa di Risparmio di Lucca	Cassa di Risparmio di Lucca	69,50	69,50	–
– Tre Pi S.p.A. (in arrangement with creditors)	Trento	8	82	1	Banca Popolare di Lodi	Banca Popolare di Lodi	25,00	25,00	30
– Tre Pi S.p.A.	Rome	8	(20,340)	(662)	Efibanca	Efibanca	20,00	20,00	–

Key to column (2)

1 = control as per art. 2359, para. 1.1 of the Italian Civil Code (majority of voting rights at the annual general meeting).

2 = control as per art. 2359, para. 1.2 of the Italian Civil Code (dominant influence at the annual general meeting).

3 = control as per art. 23, para. 2.1 of the Tax Code (agreements with other shareholders)

4 = other forms of control.

5 = unified management as per art. 26, para. 1. of Decree no. 87/92.

6 = unified management as per art. 26, para. 2. of Decree no. 87/92.

7 = joint control

8 = associated company

The equity investments in Carfid Società Fiduciaria S.r.l., in the real estate companies owned by Basileus S.p.A., in Solidarietà e Finanza SIM S.p.A. and Area Media Web S.r.l. are carried at cost because these companies are dormant or due to be sold. Tirrena Professional Factor S.p.A., Istituto Pisano Leasing S.p.A. and Bipielle Servizi S.A. are carried at cost because they are in liquidation.

Other significant investments have been reported at cost because they carry out merchant banking activities or in any case will be disposed of. Details of equity investments in companies other than BPL Group companies valued at cost are shown in an appendix.

3.2 Amounts due to and from BPL Group companies

a)	Assets	213,713
	1. due from banks	–
	of which:	
	– subordinated	
	2. due from financial institutions	584
	of which:	
	– subordinated	
	3. due from other customers	213,129
	of which:	
	– subordinated	
	4. bonds and other fixed-interest securities	–
	of which:	
	– subordinated	
b)	Liabilities.....	5,075
	1. due to banks	
	2. due to financial institutions	351
	3. due to other customers	4,724
	4. securities issued	–
	5. Subordinated liabilities	–
c)	Guarantees and commitments	107,736
	1. guarantees given	107,736
	2. commitments	

Transactions referring to companies consolidated under the equity or cost methods.

3.3 Amounts due to and from investments (non-BPL Group companies)

a)	Assets	691,534
	1. due from banks	56,377
	of which:	
	– subordinated	
	2. due from financial institutions	334,713
	of which:	
	– subordinated	
	3. due from other customers	300,444
	of which:	
	– subordinated	
	4. bonds and other fixed-interest securities	–
	of which:	
	– subordinated	

b)	Liabilities.....	461,217
1.	due to banks	265,182
2.	due to financial institutions	67,923
3.	due to other customers	67,934
4.	securities issued	18,882
5.	Subordinated liabilities	41,296
c)	Guarantees and commitments	46,173
1.	guarantees given	6,761
2.	commitments	39,412

3.4 Analysis of caption 70 "Equity investments"

a)	banks	490,684
1.	listed	2
2.	unlisted	490,682
b)	financial institutions	437,620
1.	listed	—
2.	unlisted	437,620
c)	other investments.....	413,058
1.	listed	122,175
2.	unlisted	290,883

3.5 Analysis of caption 80 "Investments in BPL Group companies"

a)	banks	
1.	listed	
2.	unlisted	
b)	financial institutions	417
1.	listed	—
2.	unlisted	417
c)	other investments.....	98,742
1.	listed	—
2.	unlisted	98,742

3.6 Changes during the year in equity investments

The following changes took place during the 2004 financial year:

3.6.1 Investments in BPL Group companies

A.	Opening balance	81,091
B.	Increases	27,021
B1.	Purchases	—
B2.	Writebacks	—
B3.	Revaluations	—
B4.	Other changes	27,021
C.	Decreases.....	8,953
C1.	sales	198
C2.	adjustments	37
	of which: permanent writedowns	37
C3.	other changes	8,718
D.	Closing balance	99,159
E.	Total revaluations	—
F.	Total adjustments.....	250

Caption B4 "Other changes" includes the effect of first application of the equity method to Area Life (€11.6 million) and Area Company (€14.6 million), as well as the effect of the valuation at equity of Bipielle Broker

S.r.l. (0.5). It also includes the book value of the investment in Bipielle Servizi S.A., previously consolidated using the line-by-line method (€0.3 million).

Caption C1 “sales” refers to the sale of the interest in Immobiliare II Corso S.r.l.

Caption C2 “adjustments” is to be booked to the writedown of the book value of the investment in Tirrena Professional Factor S.p.A..

Caption C3 “other changes” refers to the effect of the valuation at equity of Basileus (€7.8 million), and of Castimm S.r.l. (€0.1 million). It also includes the changes due to the sale of Immobiliare II Corso (€0.3 million) and to the line-by-line consolidation of Sofinspa S.p.A., previously valued using the equity method (€0.5 million).

3.6.2 Other equity investments

A.	Opening balance	1,256,319
B.	Increases	205,328
	B1. purchases	153,893
	B2. writebacks	—
	B3. revaluations	—
	B4. other changes	51,435
C.	Decreases	120,285
	C1. sales	105,642
	C2. adjustments	5,571
	of which: permanent writedowns	—
	C3. other changes	9,072
D.	Closing balance	1,341,362
E.	Total revaluation	—
F.	Total adjustments	21,555

The amount entered under caption B1 “purchases” mainly refers to the purchases of Hopa S.p.A. shares for €10 million, Arca SGR S.p.A. shares for €1.5 million, Centrobanca S.p.A. shares for €30.1 million, the subscriptions, following capital increases, of Finoa shares for €5.9 million, Banca della Nuova Terra S.p.A. shares for €3.8 million and Alpi Eagles S.p.A. shares for €3 million, Centrosim S.p.A. shares for €1.8 million, Fingruppo Holding S.p.A. shares for €1.2 million, and to investments made as part of the merchant banking activity by the subsidiary company Efibanca for €92 million.

Caption B4 “other changes” refers to the switch from caption 60 “Shares” to caption 70 “Equity investments” of the Earchimede S.p.A. shares for a counter-value of €25 million. It includes gains achieved by the sale of interests for €9.2 million, as well as the effects of the valuation using the equity method of Arca Sgr (€3.06 million), of Buon Viaggio S.p.A. (€1 million), Cartesio Alternative Investments SGR S.p.A. (€0.1 million), Efibanca Palladio Finanziaria SGR S.p.A. (€0.3 million), Finoa (€6 million), the Palladio Finanziaria Group (€5.4 million) and Unione Fiduciaria S.p.A. (€0.5 million). Lastly, it includes the interests acquired following the merger of the Area group (€0.4 million) and the investments held by AB Capital S.p.A., which came under the scope of consolidation (€0.3 million).

Caption C1 “sales” mainly comprise the disposals made by the subsidiary Efibanca for €76.7 million as part of the merchant banking activity, and also includes the sale of Cassa di Risparmio di Firenze shares (€17.2 million) Beni Stabili shares (€7.9 million) and Arca Vita shares (€1 million).

The adjustments are to be charged solely to the writedowns made by the subsidiary Efibanca as part of the merchant banking activity.

Caption C3 “other changes” includes losses on sales of interests for €0.6 million. It also refers to the valuation using the equity method of Arca Merchant S.p.A. (€5.9 million) and Centrosim S.p.A. (€1.2 million).

Section 4 – Intangible and tangible fixed assets

Tangible fixed assets (caption 120)

	2004	2003
Buildings.....	674,512	764,675
Furniture and fittings	30,768	31,551
Machines and installations	26,741	32,453
Other	13,733	2,900
Total	745,754	831,579

4.1 Changes during the year in tangible fixed assets

	Buildings	Furniture and fittings	Machines and installations	Other
A. Opening balance	764,675	31,551	32,453	2,900
B. Increases	73,785	7,259	7,427	14,178
B.1 Purchases	44,780	5,282	4,191	14,121
B2. Writebacks	—	—	—	—
B3. Revaluations.....	—	—	—	—
B4. Other changes	29,005	1,977	3,236	57
C. Decreases	163,948	8,042	13,139	3,345
C1. Sales	121,683	413	1,499	305
C2. Adjustments	12,595	6,334	10,285	1,984
a) depreciation.....	12,595	6,334	10,285	1,984
b) permanent writedowns	—	—	—	—
C3. Other changes	29,670	1,295	1,355	1,056
D. Closing balance	674,512	30,768	26,741	13,733
E. Total revaluations	—	—	—	—
F. Total adjustments	47,179	90,189	205,804	15,742
a) depreciation	47,179	90,189	205,804	15,742
b) permanent writedowns.....	—	—	—	—

Depreciation has been calculated using ordinary rates and in some cases supplementary rates (“accelerated” depreciation for fiscal purposes) which are considered representative of the residual useful lives of the assets concerned.

Intangible fixed assets (caption 110)

Intangible fixed assets (deferred charges) amount to €706.8 million, net of accumulated amortization. As of December 31, 2004, they were as follows:

	2004	2003
Leasehold improvements	63,835	48,954
Goodwill paid for the acquisition of branches.....	418,687	430,671
Expenses for compliance with Decree 626/94.....	754	1,427
Expenses for upgrading computer systems	4,194	4,526
Share flotation charges	27,834	40,824
Start-up costs	3,409	3,658
Other	188,099	179,825
Total	706,812	709,885

These assets were booked to the balance sheet with the consent of the Bank's Board of Statutory Auditors, in accordance with Article 10.3 of Decree 87/92.

4.2 Changes during the year in intangible fixed assets

	Leasehold improve- ments	Goodwill	Expenses for compliance with Decree 626/94	Expenses for upgrading computer systems	Share flotation charges	Start-up costs	Other
A. Opening balance ..	48,954	430,671	1,427	4,526	40,824	3,658	179,825
B. Increases	26,564	23,070	—	2,950	457	1,451	108,954
B1. Purchases	23,495	14,443	—	1,995	457	1,444	101,347
B2. Writebacks	—	—	—	—	—	—	—
B3. Revaluations ..	—	—	—	—	—	—	—
B4. Other changes	3,069	8,627	—	955	—	7	7,607
C. Decreases	11,683	35,054	673	3,282	13,447	1,700	100,680
C1. Sales	—	—	—	1,036	—	—	8,618
C2. Adjustments ..	11,676	31,294	673	2,225	13,447	1,500	69,912
a) amortization	11,676	31,294	673	2,225	13,447	1,500	65,180
b) permanent	—	—	—	—	—	—	—
writedowns	—	—	—	—	—	—	4,732
C3. Other changes	7	3,760	—	21	—	200	22,150
D. Closing balance....	63,835	418,687	754	4,194	27,834	3,409	188,099
E. Total revaluations	—	—	—	—	—	—	—
F. Total adjustments	42,498	137,942	6,078	12,022	54,614	7,475	175,505
a) amortization	42,491	137,942	6,078	12,019	54,614	4,530	174,037
b) permanent	—	—	—	—	—	—	—
writedowns	7	—	—	3	—	2,945	1,468

Goodwill includes the amount paid by Banca Mercantile Italiana S.p.A. in 1997 for the acquisition of the banking business consisting of 45 branches previously owned by former Banca del Sud di Messina. As mentioned in the section on accounting policies, this goodwill is being amortized over 10 years, with the consent of the Board of Statutory Auditors, a longer period than that normally contemplated by Article 2426 of the Italian Civil Code. This is because this period is believed to represent the useful life of the asset.

Moreover, as a result of the extraordinary operations forming part of the 2003 Reorganization Plan, the consolidation differences of the former subsidiaries, now absorbed by the Bank, have been recorded as “goodwill” and amortized over the residual years of the original amortization schedule.

These consolidation differences (in millions of euro) relate to:

The former BPLNetwork	19.9
The former Efibanca	177.2
The former BPL Adriatico	41.8
The former Bptrentino	79.3

“Share flotation charges” includes costs of the operation to strengthen the Bank's equity position, finalized in recent years. These costs are also amortized over five years.

“Other expenses” include the charges relating to the extraordinary payroll amounts and related contributions awarded to employees admitted to the “Solidarity Fund” set up at INPS under Ministerial Decree no. 158 of 28/4/2000. The total cost capitalized as of December 31, 2004 amounts to €86.6 million. These charges are amortized on a straight-line basis over five years, as allowed by Article 59.3 of Law no. 449/97 which

confirmed the applicability of Article 1.3 bis of Decree no. 364 of 14/8/1992. If they had all been charged to the income statement, as provided for in the accounting policies, the consolidated result for the 2004 financial year and the BPL Group shareholders' equity would have been €14.2 and €42.8 million lower, net of the related tax effect and effects attributed to third parties.

Section 5 – Other assets

	2004	2003
<i>Caption 150</i>		
Other assets.....	3,192,166	3,375,937
<i>Caption 160</i>		
Accrued income and prepaid expenses:	531,829	569,525
a) accrued income.....	340,636	372,958
b) prepaid expenses	191,193	196,567

Other assets

5.1 Analysis of caption 150 “Other assets”

Tax credits and related interest	475,925
Advances on direct taxes	229,729
Deferred tax assets	494,372
Withholding taxes and tax credits	7,783
Amounts in transit with branches	126,844
Current account cheques drawn on the bank	7,636
Current account cheques drawn on third parties	2,344
Guarantee deposits	2,855
Invoices issued but not paid	34,041
Items related to the termination of tax collection services	57,392
Amounts relating to the valuation of derivatives	241,143
Amounts relating to the valuation of forward exchange transactions	76,419
Transactions to be settled through the clearing house.....	257,646
Other.....	1,178,037
Total.....	3,192,166

“Other” includes, amongst other things, assets of Bipielle Ducato vis-à-vis vehicle companies for revolving sales of assets for €154.2 million, premiums paid on options for €24 million, amounts on portfolio operations for €92.7 million, as well as assets for investments in the pension fund.

These amounts are all considered collectible, so no adjustments have been made. “Deferred tax assets” consist of higher taxes paid against costs which could not be deducted immediately, but which are believed to be recoverable in future years.

Accrued income and prepaid expenses:

5.2 Analysis of caption 160 "Accrued income and prepaid expenses"

Accrued income	340,636
– Interest on securities	49,524
– Interest on customer loans	70,090
– Interest on repurchase agreements	1,515
– Interest on amounts due from banks.....	3,132
– Income from derivative contracts	182,401
– Other	33,974
Prepaid expenses	191,193
– Rent not pertaining to the year	940
– Invoices not pertaining to the year	7,018
– Commission expense not pertaining to the year.....	59,533
– Issue premiums	24,908
– Income from derivative contracts	17,674
– Interest expense and similar charges	4,139
– Other	76,981
Total caption 160	531,829

5.3 – Adjustments to accrued income and prepaid expenses

No direct adjustments have been made to asset or liability accounts in relation to accrued income and prepaid expenses, as would be permitted by Article 12.2 of Decree no. 87/92 where technically appropriate.

5.4 Distribution of subordinated assets

a) due from banks	–
b) loans to customers	7,425
c) bonds and other debt securities	171,703

Section 6 – Payables

Liabilities	2004	2003	% Change
<i>Caption 10</i>			
Due to banks	4,975,242	4,199,203	18.48%
<i>Caption 20</i>			
Due to customers	14,029,764	14,386,038	(2.48)%
<i>Caption 30</i>			
Securities issued	14,706,119	15,691,673	(6.28)%
<i>Caption 40</i>			
Third-party funds under administration	5,113	5,257	(2.74)%

Due to banks (caption 10)

An analysis of the caption is as follows:

	2004	%	2003	%
Due to the Bank of Italy:				
for repurchase agreements				
for securities borrowed				
for advances				
for other transactions				
Due to banks:	4,975,242	100.00%	4,199,203	100.00%
for repurchase agreements	230,383	4.63%	444,678	10.59%
for securities borrowed	2,873	0.06%	4,515	0.11%
for current accounts	622,616	12.51%	829,402	19.75%
for deposits	3,341,480	67.16%	2,073,899	49.39%
for loans	773,048	15.54%	830,931	19.79%
for other transactions	4,842	0.10%	15,778	0.38%
Total	4,975,242	100.00 %	4,199,203	100.00 %

6.1 Analysis of caption "Due to banks"

a) repurchase agreements	230,383
b) securities borrowed	2,873

Due to customers (caption 20) and securities issued (caption 30)

At the end of 2004, funding from customers amounted to €28,735.9 million. Details in technical form are shown in the table below.

	2004	%	2003	%
Due to customers	14,029,764	48.82%	14,386,038	47.83%
– current accounts	10,617,154	36.95%	10,743,506	35.72%
– savings deposits	1,723,802	6.00%	1,837,302	6.11%
– for repurchase agreements	1,496,650	5.21%	1,639,382	5.45%
– securities borrowed	136,200	0.47%	136,200	0.45%
– other	55,958	0.19%	29,648	0.10%
Securities issued	14,706,119	51.18%	15,691,673	52.17%
– bonds	13,611,182	47.37%	14,207,183	47.23%
– certificates of deposit	874,578	3.04%	995,550	3.31%
– other securities	220,359	0.77%	488,940	1.63%
Total	28,735,883	100.00 %	30,077,711	100.00 %

6.2 Analysis of caption "Due to customers"

a) repurchase agreements	1,496,650
b) securities borrowed	136,200

Third-party funds under administration (caption 40)

The funds were obtained as follows:

Funds provided by the State	901
Funds provided by regions	4,212
Funds provided by other public entities	–
Total	5,113

Section 7 – Provisions

Liabilities	2004	2003	% Change
<i>Caption 70</i>			
Provision for severance indemnities	183,139	187,446	(2.30)%
<i>Caption 80</i>			
Provisions for contingencies and other charges	414,304	748,895	(44.68)%
<i>Caption 90</i>			
Reserve for loan losses	8,308	4,199	97.86%

Provision for severance indemnities (caption 70)

The caption amounts to €183.1 million; the movements during the year were as follows:

Balance as of 12/31/2003	187,446
Payments during the year	(24,545)
Provision for the year	24,940
Other changes	(4,702)
Balance as of 12/31/2004	183,139

Loan loss reserves (caption 90)

7.1 – Analysis of caption 90 “Loan loss reserves”

This reserve totals €8.3 million and consists of provisions made to cover only potential risks and has no adjusting function.

7.2 Changes during the year in “Loan loss reserves” (caption 90)

A. Opening balance	4,199
B. Increases	8,308
B1. Provisions	7,903
B2. Other changes	405
C. Decreases	4,199
C1. Utilisations	4,199
C2. Other changes	–
D. Closing balance	8,308

Provisions for contingencies and other charges (caption 80)

7.3 Analysis of caption 80 “Provisions for contingencies and other charges” Other provisions

Provision for writedowns of guarantees given and commitments	7,272
Provision for outstanding lawsuits	28,343
Sundry reserves	49,751
Total	85,366

The analysis of and movements in caption 80 “Provisions for contingencies and other charges” are shown in the following table:

	Balance as of 12/31/2003	(Utilisations)	Provisions	Other changes	Balance as of 12/31/2004
a) Pension fund	156,997	(34,568)	13,154	(8,272)	127,311
b) Provision for taxation	516,472	(474,486)	187,566	(27,925)	201,627
c) Other provisions	75,426	(27,948)	27,481	10,407	85,366
– Provision for writedowns of guarantees given and commitments.....	8,986	(33)	23	(1,704)	7,272
– Provisions for outstanding lawsuits	27,292	(6,386)	6,004	1,433	28,343
– Sundry reserves.....	39,148	(21,529)	21,454	10,678	49,751
Total provisions for contingencies and other charges	748,895	(537,002)	228,201	(25,790)	414,304

Pension fund

The pension fund represents commitments by each BPL Group company to retired or current employees.

In particular, it includes:

- commitments taken over by the Bank to retired employees covered by the 1992 “additional retirement benefit” agreement. The provision was made on the basis of actuarial calculations.
- commitments to current employees. During the year, agreement was reached with the Bank’s trade union representatives regarding the BPL Group’s supplementary pension plan. On the basis of this agreement, the supplementary pension fund has been set up according to Decree no. 124/93 in two sections: a “defined benefits” scheme and a “defined contributions” scheme. The section called the “defined contributions scheme” functions as a supplementary pension fund with defined contributions and capitalization of the individual’s contributions which are paid partly by the Bank and partly by the person concerned;
- commitment accrued at the balance sheet date to employees that are members of the supplementary pension fund of the merged Banca Industriale Gallarate. The amounts accrued are based on salary levels and length of service.

The fund includes a supplementary fund formed by ICCRI-BFE S.p.A. and transferred to Banca Eurosystemi S.p.A., divided into two sections:

- the first, a defined benefits scheme, is the liability accrued at the balance sheet date to retired employees for supplementary pension payments, determined on the basis of actuarial calculations with reference to current regulations on the subject;
- the second, a defined contributions scheme, represents the final amount, in accordance with Article 2117 of the Italian Civil Code, where administration is established by specific regulations.

Provision for taxation

This provision includes the amount due for direct income taxes for the year, indirect taxes for the year still to be paid, taxes relating to the property revaluation, as well as deferred tax liabilities arising as of December 31, 2004.

Deferred taxation

Movements in deferred tax assets, split between those booked to the income statement and those added to shareholders’ equity, are shown below.

7.4 Change in “Deferred tax assets” during the year

1. Opening balance	399,032
2. Increases	180,053
2.1. Deferred tax assets arising during the year	71,615
2.2. Other increases.....	108,438
3. Decreases	84,713
3.1. Deferred tax assets reversing during the year	75,613
3.2. Other decreases	9,100
4. Closing balance	494,372

Movements in deferred tax liabilities during the year are shown in the table below:

7.5 Change in “Deferred tax liabilities” during the year

1. Opening balance	31,537
2. Increases	36,647
2.1. Deferred tax liabilities arising during the year	36,245
2.2. Other increases.....	402
3. Decreases	29,810
3.1. Deferred tax liabilities reversing during the year	29,789
3.2. Other decreases	21
4. Closing balance	38,374

Other provisions – Provision for outstanding lawsuits

The provision as of December 31, 2004 covers an estimate of the liabilities foreseeable in relation to outstanding lawsuits and out-of-court proceedings in which the BPL Group is acting as defendant.

The following section summarizes the main existing risks.

No provisions have been made in the Consolidated Financial Statements for claims for damages requested by holders of financial instruments issued by companies in financial difficulty, given that BPL Group companies did not take part in the placement syndicates. In any case, the total amount concerned is not significant. As matters stand, the Bank does not believe that this is a contingent liability.

The civil suit brought by Giovanni Francesco Cerea was in the first instance defined in a completely satisfactory manner for the Bank, with the judgment no. 7332/04 filed with the Court of Milan on June 10, 2004. This case is currently before the Court of Appeal, following the notification of appeal to the Bank in July 2004.

The case was brought on January 23, 2001 by Giovanni Cerea against the Bank. The plaintiff is seeking payment of €38.5 million for an alleged mandate carried out at the Bank’s behest in connection with the acquisition of the controlling interest in Banca Popolare di Crema. In addition, the plaintiff is seeking an additional sum by way of damages for the failure of the Bank to respect its obligations under the mandate, and for the revocation, without just cause, of another alleged mandate relating to the acquisition of another co-operative bank.

The Bank responded by contesting every one of these claims, considering them to be totally misleading, unfounded and based on a mandate that was never conferred.

On January 2, 2002, Mr. Ernesto Preatoni and Parin S.r.l. intervened in the proceedings, questioning both the plaintiff and the defendant.

In particular, the interveners asked the court to declare the nullity of all the acts covered by the alleged mandate conferred by the Bank to Mr. Cerea and to order the Bank to return, to the original shareholders, the shares of Banca Popolare di Crema at the same purchase price made by Summa S.A. They also asked the

court to check that no payment was due to Mr. Cerea and to order the Bank to pay compensation for the loss suffered by these interveners.

The Bank responded by claiming these pleas were inadmissible because groundless and brought forth too late.

With judgment no. 7332/04 rendered by Section VIII of the Court of Milan and filed on June 10, 2004, the court rejected all the pleas of the plaintiff and third-party interveners and ordered these parties to repay the Bank's legal costs.

This judgment was recently contested by all the unsuccessful parties, who, in July 2004, served on the Bank two summons of appeal for a full amendment of the judgment no. 7332/04, on the same grounds set forth in their claims in the first instance.

The cases were brought separately before Section II of the Milan Court of Appeal, which at the last hearing on February 8, 2005, adjourned the case for clarification of the submissions.

With this in mind, the considerations made in the first instance remain valid, given that there are no new arguments or facts that might lead the counsel following the dispute to change its opinion.

With regard to the dispute between the Bank and the customers of the merged Banca Popolare del Trentino, in connection with the case of employee Stefano Maggioni, the following is specified:

During the 2004 financial year and in previous years, "unfavorable" settlements were determined mostly using the sums arising from the recovery of amounts claimed by the Bank from customers who were the unlawful beneficiaries of the employee's actions.

As matters stand, 13 disputes are outstanding before the Civil Court of Trento brought by customers of Banca Popolare del Trentino, which merged with the Bank on October 26, 2003.

Ten of these disputes have been brought by customers of the former Banca Popolare di Trentino, seeking compensation for alleged losses suffered as a result of misappropriations carried out by the employee Stefano Maggioni following current account debits and operations on financial instruments performed without permission.

In each lawsuit, the Bank has cited Assicurazioni Generali seeking the enforcement of the insurance cover, if sentenced.

The three other lawsuits involve the request of the Bank, aimed at reimbursement of the sums unlawfully credited by Stefano Maggioni to the current accounts of a number of customers of the former Banca Popolare di Trentino.

It should also be noted that there is an outstanding dispute before the Civil Court of Lodi brought by the Bank against Assicurazioni Generali and Società Cattolica di Assicurazione seeking to activate Insurance Policy no. 997515150 and thus, the fulfilment by the co-insurers of their obligation to pay due compensation to the Bank to cover the malpractice of the unfaithful employee.

It should be noted that the Bank and a number of banks of the BPL Group have been summoned to court by the bodies involved in the extraordinary administration proceedings pertaining to the Parmalat Group, who have proposed clawback actions for significant sums. At the first hearing held on March 2, 2005 for one of the aforementioned banks, the BPL Group duly appeared by contesting de facto and de jure the claims made in the proceedings. For the Bank and the other banks summoned, the initial hearings were postponed respectively until April 19, and May 27, 2005 for the first and until April 13, and April 29 for the second. In the light of the above, given the initial state of the proceedings, even though the outcome remains unclear, the BPL Group considers it has justified reasons for asserting its rights in court.

Other provisions – Sundry provisions

The subcaption “Sundry provisions” includes amounts provided to cover potential risks for guarantees and commitments and for personnel expenses including amounts for charges connected to the renewal of the labour contract for €7 million.

Section 8 – Share capital, reserves, reserve for general banking risks and subordinated liabilities

Shareholders’ equity and subordinated liabilities

Group shareholders’ equity is analyzed as follows:

Caption	Description	Balance
100	Reserve for general banking risks.....	5,000
120	Negative goodwill arising on consolidation	1,192
130	Negative goodwill arising on application of the equity method.....	2,118
150	Share capital	885,127
160	Share premium account.....	1,557,521
170	Reserves:	85,328
	a) legal reserve	52,899
	b) reserve for own shares	2,203
	c) statutory reserves	1,155
	d) other reserves	29,071
	of which:	
	– securitization reserve	–
180	Revaluation reserves:	24,478
190	Retained earnings (accumulated losses)	
200	Net profit (Loss) for the year	168,382
	Total shareholders’ equity	2,729,146
I) caption 110	Subordinated liabilities	2,038,019
	Total shareholders’ equity and subordinated liabilities	4,767,165

Shareholders’ equity

The statement of changes in shareholders’ equity is provided below in Part D.

The following comments apply to individual captions:

- *Reserve for general banking risks:* the balance at December 31, 2004 was €5 million.
- *Share capital:* it is fully subscribed and paid-up, and consists of 295,042,409 ordinary shares of par value €3 each. In accordance with the resolution for a capital increase passed at the Extraordinary General Meeting of March 3, 2003, in June 2004 subscribers who had held shares for one year were offered the option of a further increase, equal to one new share for every 10 subscribed, and paying the face value only. Thus, in accordance with requests from eligible shareholders, 7,633,167 shares were issued for a counter-value of €22.9 million.
- *Share premium account:* this reserve, amounting to €1,558 million, did not change during the year.
- *Legal reserve:* the increase of €6.8 million is due to the allocation of a portion of 2003 net profit to the reserve.
- *Reserve for own shares:* the balance is €2.2 million against own shares held in portfolio by the BPL Group for 230,000 shares.
- *Statutory reserves:* these total €1.2 million and comprise dividends transferred to this reserve after they have fallen into prescription and shareholder entry fee. During the course of 2004, the reserve

underwent a marginal increase due to the dividends of the Bank and of the banks merged with it which were not claimed within the prescribed period.

– *Other reserves*: this caption includes:

- the unrestricted reserve of the Bank for €235.4 million, with an increase of €99.6 million; in particular, €57.2 million as a result of the allocation of the profit for 2003;
- the reserve for dividends collected on own shares, totalling €1.2 million; the increase in the year is due to dividends collected on own shares during the course of 2004;
- the reserve as per the Amato Law for mergers, for €8.2 million; provisions were made in 1992, 1993 and 1994 in relation to the merger of Banca Industriale Gallarate S.p.A. and Banca Rasini S.p.A.;
- the reserve as per the Amato Law for conferrals, for €32.9 million. The reserve concerns the transfer of investments to Bipielle Partecipazioni S.p.A. in 1995;
- merger amount for €23.3 million deriving from the absorption of Banca Mercantile Italia (€2.6 million) in the year 2000, Efibanca (€14 million), Bipielle Network S.p.A. (€4.3 million), Bipielle Santander Central Hispano SIM S.p.A. (€2.3 million) and Banca Popolare del Trentino (€0.1 million) which all took place in 2003;
- spin-off amount for €77.2 million following the partial spin-off of Bipielle Investimenti in 2003;
- reserves for capital gains to be re-invested and reserves for capital gains on transfers for a total of €1.7 million following the spin-off of Bipielle Investimenti in 2003;
- the unrestricted reserve for own shares amounts to €75 million and corresponds to the unrestricted reserve formed out of prior year earnings and allocated for the purchase of own shares.

The caption “other reserves” also comprises the effects deriving from the consolidation of subsidiary and associated companies.

– *Revaluation reserves*: they include the consolidated portion of revaluation reserves in accordance with Law no. 413/1991 and Decree no. 162/2001.

Subordinated liabilities

At December 31, 2004, subordinated liabilities amounted to €2,038 million, of which €1,795.8 million relating to the Bank.

The subordination clauses provide that in the case of the winding-up or liquidation of the issuing company, the right of the subscriber is subordinated to the right of the depositors, current account holders and other creditors who are not subordinated or who are creditors to a lesser extent.

As part of the plan to strengthen its capital, through two vehicle companies set up specifically for the purpose with authorisation of the Bank of Italy (Banca Popolare di Lodi Capital Company I and Banca Popolare di Lodi Capital Company II), preference shares, which are innovative capital instruments attributable to Tier I capital, were issued.

Details of subordinated loans issued by the BPL Group companies, together with information on preference shares are reported below.

Positive goodwill arising on consolidation (assets caption 90) and Negative goodwill arising on consolidation (liabilities caption 120)

Company	Positive
Banca Caripe S.p.A.	87,850
Banca Popolare di Crema S.p.A.	42
Banca Popolare di Cremona S.p.A.	208,473
Banca Popolare di Mantova S.p.A.	461
Banca Eurosystemi S.p.A.	3,549
Banca Valori S.p.A.	2,482
Bipielle Network S.p.A.	23,447
Cassa di Risparmi Livorno S.p.A.	3
Efibanca S.p.A.	122
Bipielle Fondicri S.p.A.	6,180
Bipielle Gestione del Credito S.p.A.	5,087
Bipielle International Holding SA	23,872
Bipielle Riscossioni S.p.A.	17
Italfortune International Advisors S.A.	239
Gruppo Bipielle Investimenti (for equity investments held)	423,328
Gruppo Reti Bancarie (for equity investments held)	483,300
Tiepolo Finance S.r.l.	2
AB Capital S.p.A.	137
Nazionale Fiduciaria S.p.A. – Critefi Sim S.p.A.	5,663
Sofinspa S.p.A.	9
Total	1,274,263

The book value of the above investments, consolidated for the first time on a line-by-line basis after application of Decree no. 87/1992, has been eliminated against the corresponding portions of their shareholders' equity.

The differences between book value and the related shareholders' equity, all positive, have been classified under caption 90 "Goodwill arising on consolidation" if they are not attributable to specific assets or liabilities, as they represent goodwill, net of minority interests based on equity ratios.

Company	Negative
Bipielle Previdenza Assicurativa S.r.l.	1
Bipielle I.C.T. S.p.A.	100
Bipielle Immobili Strumentali S.p.A.	734
Loseri S.p.A.	357
Total	1,192

Goodwill arising on application of the equity method (asset caption 100) and negative goodwill arising on the application of the equity method (liabilities caption 130)

Company	Positive
Arca Merchant S.p.A. – Arca Bim S.p.A.	1,745
Cartesio Alternative Investments SGR S.p.A.	3
Castimm S.r.l. – Assipromos S.p.A.	47
Centrosim S.p.A.	831
Efibanca Palladio Finanziaria S.p.A.	1,772
Gruppo Palladio Finanziaria	1,814
Area Life Ltd	31,635
Buon Viaggio S.p.A.	1,464
Total	39,311

Where companies are valued using the equity method, the higher amount paid with respect to the corresponding portion of shareholders' equity, is classified in caption 100 as "Goodwill arising on application of the equity method". This is attributable to goodwill and is amortized on a straight-line basis.

Company	Negative
Bipielle Broker S.r.l.	100
Finoa S.r.l.	1
Unione Fiduciaria S.p.A.	528
Arca SGR S.p.A.	1,489
Total	2,118

The goodwill arising on consolidation of Area Company S.r.l. totalling €12.2 million reduces the goodwill arising on consolidation of Bipielle Investimenti S.p.A., referring to the merger of Area S.p.A., previously the parent company of Area Company S.r.l.

Minority interests

The portion of minority interests amounting to €1,278.6 million, has been determined by applying equity ratios and includes the portion attributable to minority shareholders of net profits for the year totalling €99.6 million.

8.1 Regulatory capital and minimum requirements for supervisory purposes

8.1 Consolidated regulatory capital and minimum requirements for supervisory purposes 12/31/2004

Categories / Amounts	Amount
A. Consolidate regulatory capital	
A.1 Tier I capital.....	1,974,393
A.2 Tier II capital	1,504,275
A.3 Items to be deducted	481,133
A.4 Regulatory capital	2,997,535
B. Minimum consolidated regulatory requirements	
B.1 Lending risk	2,430,481
B.2 Market risk	246,143
– of which:	
+ risks on trading portfolio	244,632
+ risks on commodity positions	
+ exchange risks	1,511
+ concentration risks	
B.3 Tier III subordinated loans.....	211,627
B.4 Other minimum requirements	22,274
B.5 Total minimum regulatory requirements	2,698,898
C. Risk assets and consolidated capital-adequacy ratios	
C.1 Risk-weighted assets ^(*)	31,090,882
C.2 Tier I capital / Risk-weighted assets	6.35%
C.3 Regulatory capital / Risk-weighted assets	9.64%

(*) Total minimum regulatory requirements multiplied by the reciprocal of the compulsory minimum ratio for lending risks

Section 9 – Other liabilities

	2004	2003
<i>Caption 50</i>		
Other liabilities	2,447,950	2,154,665
<i>Caption 60</i>		
Accrued expenses and deferred income	469,274	515,044
a) accrued expenses	319,856	349,871
b) deferred income	149,418	165,173

9.1 Analysis of caption 50 “Other liabilities”

Due to the Treasury for taxes to be paid on behalf of third parties.....	53,555
Amounts in transit with branches	48,000
Contributions and bonuses to be paid	44,820
Suppliers’ invoices to be settled.....	133,605
Amounts relating to the valuation of derivatives	261,418
Amounts relating to the valuation of forward exchange transactions	2,189
Amounts available to third parties	110,190
Transactions to be settled through the clearing house.....	245,304
Currency differentials on portfolio transactions	94,977
Other.....	1,453,892
Total	2,447,950

“Other” includes, amongst other things, collections on loans paid by Efibanca for €177.2 million, amounts due to tax authorities relating to tax items for €46.1 million, technical overdrafts for €655.7 million and transfers to be settled for €40.2 million. It also includes amounts due for charges arising from extraordinary payroll amounts and related contributions awarded to employees admitted to the “Solidarity Fund.”

9.2 Analysis of caption 60 “Accrued expenses and deferred income”

Accrued expenses:	319,856
– Interest on amounts due to customers	6,034
– Interest on amounts due to banks	11,445
– Interest on repurchase agreements	6,495
– Interest on bonds.....	181,236
– Income from derivative contracts	109,497
– Other	5,149
Deferred income:	149,418
– Interest on portfolio transactions	44,241
– Income from derivative contracts	70,932
– Other	34,245
Total accrued expenses and deferred income	469,274

Section 10 – Guarantees and commitments

Guarantees given (caption 10)

These are analyzed below:

	2004	2003	% Change
<i>Caption 10</i>			
Guarantees given.....	2,303,842	2,771,538	(16.87)%
<i>Caption 20</i>			
Commitments	5,720,646	4,853,596	17.86%
<i>Caption 30</i>			
Derivatives on loans	113,792	172,035	(33.86)%
	2004	2003	
a) Commercial guarantees:	1,407,656	1,447,442	
– Documentary credits	57,043	95,306	
– Acceptances	12,595	15,295	
– Endorsements and sureties	1,243,937	1,053,364	
– Other	94,081	283,477	
b) Financial guarantees:	896,173	1,280,172	
– Endorsements and sureties	764,962	1,141,141	
– Bank acceptances as per Law 388 of 24/7/78	6,098	3,534	
– Other	125,113	135,497	
c) Assets lodged in guarantee	13	43,924	
Total	2,303,842	2,771,538	

10.1 Analysis of caption 10 “Guarantees given”

a) Commercial guarantees	1,407,656
b) Financial guarantees	896,173
c) Assets lodged in guarantee	13

Commitments (caption 20)

These are analyzed below:

	2004	2003
a) Commitments to disburse funds (certain to be called on):	356,301	645,315
– Commitments to disburse mortgage and other loans	218,084	214,471
– Commitments to disburse loans and deposits to banks	19,933	5,576
– Commitments for unsettled security purchases	118,284	425,268
b) Commitments to disburse funds (not certain to be called on):	5,364,345	4,208,281
– Commitments to disburse loans arranged with customers	2,166,588	2,352,201
– Commitments related to the Interbank Deposit Guarantee	29,735	28,687
– Other	3,168,022	1,827,393
Total	5,720,646	4,853,596

The sub caption “Other” includes commitments relating to put options granted by the Bank to selling counterparties involved in the acquisition of equity investments, exercisable if part of the proceeds is settled through BPL Group company shares.

10.2 Analysis of caption 20 “Commitments”

a) Commitments to disburse funds (certain to be called on)	356,301
b) Commitments to disburse funds (not certain to be called on)	5,364,345

“Commitments to disburse funds (not certain to be called on)” include €1,234 million of commitments relating to put options granted on the acquisition of equity investments and following the signing of strategic commercial partnership agreements. Provisions have been made to cover these commitments, determined on the basis of expert appraisals by leading consultancies.

The risk related to guarantees given and commitments to disburse funds is assessed using the same method as for cash loans. Amounts which may not be recoverable are adjusted for, indirectly, by a specific provision for contingencies and other charges.

In particular:

- a. Guarantees and commitments to subjects with non-performing or problem loans are assessed individually and estimated losses are determined for each position.
- b. Guarantees and commitment to subjects in categories at risk and to subjects resident in countries considered at risk are assessed on a general basis by class of risk, with reference to the specific industries and countries concerned.

10.3 – Assets lodged to guarantee the Bank’s debt

Assets lodged by the BPL Group against its own obligations consist of government securities and other bonds, as summarized below:

10.3 – Assets lodged to guarantee own debt

Securities guaranteeing advances received from the Bank of Italy	77,170
Securities guaranteeing the issue of bankers’ drafts	–
Securities guaranteeing Treasury and other services	–
Securities transferred to customers under repurchase agreements	1,514,424
Securities guaranteeing purchases of other transactions	1,052,192

10.4 Margins available on credit lines

a) central banks	224,799
b) other banks	544,938

10.5 Forward transactions

Type of transaction		Hedging	Trading	Other transactions
1	Purchase / sale of	2,024,741	374,197	—
1.1	Securities	—	278,358	—
	– purchases	—	113,404	—
	– sales	—	164,954	—
1.2	Currency	2,024,741	95,839	—
	– currency against currency	395	1,393	—
	– purchases against euro.....	1,066,280	41,806	—
	– sales against euro.....	958,066	52,640	—
2	Deposits and loans	—	4,069	—
	– to be disbursed	—	2,074	—
	– to be received	—	1,995	—
3	Derivative contracts	17,326,485	18,740,511	6,668,783
3.1	With exchange of capital	1,086,670	2,051,297	1,311,017
a)	securities	—	1,289,950	1,311,017
	– purchases	—	942,260	1,311,017
	– sales	—	347,690	—
b)	currency.....	1,086,670	761,347	—
	– currency against currency	—	—	—
	– purchases against euro	174,445	326,196	—
	– sales against euro	912,225	435,151	—
c)	other instruments	—	—	—
	– purchases	—	—	—
	– sales	—	—	—
3.2	Without exchange of capital	16,239,815	16,689,214	5,357,766
a)	currency.....	—	10,103	—
	– currency against currency	—	—	—
	– purchases against euro	—	10,103	—
	– sales against euro	—	—	—
b)	other instruments.....	16,239,815	16,679,111	5,357,766
	– purchases	13,104,380	7,987,801	42,385
	– sales	3,135,435	8,691,310	5,315,381

10.6 Derivatives on loans

Type of transaction		Trading	Other transactions
1.	Hedging purchases		
1.1.	With exchange of capital.....	81,925	4,253
1.2	Without exchange of capital	91,677	150,030
	Credit default swaps	91,677	150,030
2.	Hedging sales		
2.1.	With exchange of capital.....	50,608	54,366
	Credit linked notes	—	—
2.2	Without exchange of capital	—	8,818
	Credit default swaps	—	8,818

The contractual technical forms which make up captions 1.2 and 2.2 are credit default swaps.

Section 11 – Concentration and distribution of assets and liabilities

11.1 – Significant exposures

a) amount	2,180,812
b) number	5

11.2 – Distribution of loans to customers by category of borrower

a) Governments	172,410
b) other public entities	649,539
c) non-financial companies	15,192,914
d) financial institutions	2,034,558
e) family businesses	2,091,919
f) other	5,671,277

11.3 – Distribution of loans to non-financial companies and family businesses in Italy

a) – Other sales-oriented services	4,374,415
b) – Commerce, salvage and repair services	2,124,528
c) – Building and public works	1,724,723
d) – Hotel and public facility services	802,131
e) – Food, beverage and tobacco products	708,667
f) – Other business activities	6,175,042

11.4 – Distribution of guarantees given by category of counterparty

a) Governments	228
b) Other public entities	11,720
c) Banks	409,344
d) Non-financial companies	1,592,024
e) Financial companies	68,280
f) Family businesses	81,106
g) Other	141,140

11.5 Geographical distribution of assets and liabilities

Captions/Countries	Italy	Other EU countries	Non-EU countries
1. Assets	29,303,203	4,433,041	1,372,207
1.1 Due from banks	1,852,304	1,313,939	158,405
1.2 Customer loans	23,635,668	1,649,256	527,693
1.3 Securities	3,815,231	1,469,846	686,109
2. Liabilities	33,188,720	1,810,153	755,384
2.1 Due to banks	3,060,173	1,496,407	418,662
2.2 Due to customers	13,557,682	238,837	233,245
2.3 Securities issued	14,627,733	74,909	3,477
2.4 Other liabilities	1,943,132	–	100,000
3. Guarantees and Commitments	6,617,353	1,284,695	122,440

11.6 – Distribution of assets and liabilities by maturity

	Specified duration							
	On demand	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years		Beyond 5 years		Un-specified
				Fixed rate	Indexed rate	Fixed rate	Indexed rate	
1. Assets:	10,500,689	9,253,982	10,505,258	11,225,329	7,336,062	2,155,673	4,640,435	1,063,652
1.1 Treasury bonds								
eligible for refinancing	–	400	73,685	2,530	11,461	127,352	–	–
1.2 Due from banks	887,149	1,981,703	132,477	3,401	72,299	14,503	5,611	227,505
1.3 Customer loans	9,229,709	2,364,301	2,592,241	1,686,155	5,061,254	518,407	3,688,694	671,856
1.4 Bonds and other debt securities	3,032	50,923	1,123,634	312,215	1,276,787	229,858	933,441	164,291
1.5 Off-balance sheet transactions	380,799	4,856,655	6,583,221	9,221,028	914,261	1,265,553	12,689	–
2. Liabilities	12,977,002	12,673,186	12,474,467	6,933,493	8,848,317	2,407,857	1,695,886	857,928
2.1 Due to banks	641,568	3,700,163	355,383	92,574	85,280	6,649	93,625	–
2.2 Due to customers	12,208,415	1,564,875	108,777	953	3,922	136,200	5,533	1,089
2.3 Securities issued	100,096	816,905	2,930,694	1,556,477	7,280,754	616,251	816,622	588,320
– bonds	2,611	403,316	2,628,706	1,451,088	7,273,115	570,409	693,622	588,315
– certificates of deposit	45,968	413,589	301,988	105,389	7,639	–	–	5
– other securities	–	51,517	–	–	–	45,842	123,000	–
2.4 Subordinated liabilities	–	531	49,826	55,600	432,608	649,954	749,500	100,000
2.5 Off-balance sheet transactions	26,923	6,590,712	9,029,787	5,227,889	1,045,753	998,803	30,606	168,519

11.7 – Assets and liabilities denominated in foreign currencies

The Group's foreign currency assets and liabilities are analyzed as follows:

11.7 Assets and liabilities denominated in foreign currencies

a) Assets:	2,670,402
1. Due from banks	511,186
2. Customer loans	1,208,703
3. Securities	794,980
4. Equity investments	142,403
5. Other accounts	13,130
b) liabilities:	1,861,906
1. Due to banks	1,389,592
2. Due to customers	302,992
3. Securities issued	69,322
4. Other accounts	100,000

11.8 Securitization transactions

11.8.1 Group securitization transactions

Securitization transaction with Tiepolo Finance S.r.l.

During the second half of 2000, the Bank, together with other BPL Group banks, launched the securitization of non-performing loans, taking advantage of the benefits available under Law no. 130 of April 30, 1999.

In particular, on 30 December 2000, the Bank sold non-performing loans with a net book value of €158.2 million, for €153.5 million, to a vehicle company, Tiepolo Finance S.r.l., set up pursuant to Article 1 of Law 130/99 and registered in the official list as per Article 107 of the Consolidated Banking Act. The Bank acquired control over Tiepolo Finance S.r.l. in the first half of 2001.

The vehicle company financed the purchase of loans by issuing securities bonds of three classes: A, B and C.

The characteristics of the three types of securities issued are as follows:

Class A securities (senior notes): floating rate bonds (6-month Euribor plus a spread of 0.58% per annum) for a value of €75 million, which have been given the following ratings: AAA (Fitch) and Aaa (Moody's);

Class B securities (mezzanine notes): fixed-rate bonds (5.5% per annum) for a value of €30 million, which have been attributed the following ratings: AA- (Fitch) and Aa3 (Moody's);

Class C securities (junior notes): floating rate bonds (6-month Euribor plus a spread of 0.40% per annum) for a value of €50.5 million, subscribed on issue by originators.

Class A and C securities have been issued at par, while Class B securities have an issue discount of 0.43%. Class A and B securities are listed on the Luxembourg Stock Exchange.

The various types of securities have been allocated a different level of subordination, which reflects the priority they have in the payment of principal and interest. For example, Class A securities have priority over Class B, while Class C securities have an even greater degree of subordination.

Group banks subscribed Class C (junior) securities. These securities, being destined to remain in the bank's portfolio, have been treated as investments.

Third parties have granted the vehicle company a €12 million line of credit, guaranteed by the Bank by conceding a subordinated loan in the form of a securities loan for €13 million.

As a further guarantee of payment of principal and interest on the Class B securities, the Bank has granted a limited-recourse mortgage loan in the form of a securities loan for €33 million.

Moreover, as part of the transaction stipulated by the vehicle company with third parties to hedge interest rate risk, the Bank has lodged securities in guarantee for €2.4 million.

The Bank has taken on the role of Cash Manager and Servicer, managing the recovery and collection of receivables.

The risks that remain in the hands of the Bank as a result of this transaction are therefore represented by the subordinated bonds (Class C securities), by guarantees given by granting a subordinated loan and a guaranteed recourse mortgage loan.

The costs and charges related to the securitization deal (organization, ratings, consulting fees, etc.) amount to approximately €3.7 million. These have been capitalized and are being amortized on a straight-line basis over five years, starting from the year ended December 31, 2001.

For more information on the particulars of the transaction, securitized assets, securities issued and activities carried out by the Bank, please refer to the notes to the financial statements of the Bank.

Based on the accounting results of the transaction at December 31, 2004, it has been decided, for the sake of caution, to adjust the value of the BPL Group's Class C securities by a total of €8.7 million.

A schedule summarizing the securitized assets and securities issued is given below:

		As of December 31,		
		2004	2003	Change
A.	Securitized Assets	75,177,543	98,035,031	(22,857,488)
	A.1) Loans	75,177,543	98,035,031	(22,857,488)
	A.2) Securities	—	—	—
	A.3) Other (to be specified)	—	—	—
B.	Use of amounts arising from the management of the loans ..	63,509,128	60,254,210	3,254,918
	B.1) Debt securities	—	—	—
	B.2) Equities	—	—	—
	B.3) Liquidity	4,288,820	1,313,380	2,975,440
	B.4) Repurchase agreements	58,768,008	58,532,550	235,458
	B.5) Other	452,300	408,280	44,020
C.	Securities issued	120,009,250	132,369,250	(12,360,000)
	C.1 Class A securities	39,509,250	51,869,250	(12,360,000)
	C.2 Class B securities	30,000,000	30,000,000	—
	C.3 Class C securities	50,500,000	50,500,000	—
D.	Loans received	46,200,000	46,200,000	—
	D.1) Securities loan	33,000,000	33,000,000	—
	D.2) Subordinated loan	13,200,000	13,200,000	—
E.	Other Liabilities	9,792,019	8,313,605	1,478,414
	E.1) Due to the Bank	4,856	1,241	3,615
	E.2) Sundry debts	6,819,798	5,191,440	1,628,358
	E.3) Accrued expenses	2,967,365	3,120,924	(153,559)
F.	Interest expense on securities issued	4,171,665	4,844,594	(672,929)
G.	Transaction-related commissions and fees	786,633	849,386	(62,753)
	G.1) For the servicing service	631,941	694,488	(62,547)
	G.2) For other services	154,692	154,898	(206)
	G.2a) Commission for securities issued	—	—	—
	G.2b) Banking commission	220	606	(386)
	G.2c) Cash manager	10,001	10,000	1
	G.2d) Issuer	60,000	60,000	—
	G.2e) Paying agent, Ron and others	84,471	84,292	179
	G.2f) Margin for IRS cap	—	—	—
H.	Other charges	9,545,935	9,401,889	144,046
	H.1) Legal and professional fees	263,234	233,954	29,280
	H.2) Losses on loans	7,051,624	6,960,813	90,811
	H.3) Non-deductible VAT	—	—	—
	H.4) Interest on loans	2,231,077	2,204,497	26,580
	H.5) Contingent loans	—	2,625	(2,625)
I.	Interest from the Securitized assets			
L.	Other income	5,778,654	5,724,768	53,886
	L.1) Interest income	2,366,916	2,338,949	27,967
	L.2) Start-Up commission income	—	—	—
	L.3) Writebacks on loans	3,411,738	3,385,819	25,919

Securitization transaction with Tiepolo Finance 2 S.r.l.

During the second half of 2002, Biepielle Società di Gestione del Credito S.p.A. carried out a second securitization of non-performing BPL Group mortgage and unsecured loans, taking advantage of the provisions of Law no. 130 dated April 30, 1999.

In particular, on December 30, 2002, Biepielle Società di Gestione del Credito S.p.A. sold non-performing loans previously purchased from the various BPL Group banks for a net book value of €486 million

compared with a nominal value of €816 million to a vehicle company, Tiepolo Finance II S.r.l., set up pursuant to Article 1 of Law no. 130/99 and registered in the official list as per Article 107 of the Consolidated Banking Act.

Tiepolo Finance II S.r.l. financed the purchase of these loans by issuing the following categories of bonds: senior securities (class A) for €170 million and class B for €15 million, mezzanine notes (class C) for €151 million and junior securities (class D) for €150.03 million.

The characteristics of the four types of securities issued are as follows:

Class A securities (senior notes) floating rate bonds (3-month Euribor plus a spread of 1.15% per annum) which have been attributed the following ratings: AA (Fitch) and AA2 (Moody's);

Class B securities (senior notes) floating rate bonds (3-month Euribor plus a spread of 1.85% per annum) which have been attributed the following ratings: A (Fitch) and A2 (Moody's);

Class C securities (mezzanine notes) fixed-rate bonds (7% per annum) which have not been attributed a rating;

Class D securities (junior notes) fixed-rate bonds (2% per annum). The Junior securities were fully subscribed by the BPL Group banks that previously held the securitized loans.

All of the securities issued have limited recourse on the loans purchased and on the other rights and any additional guarantees that form part of the operation.

The various types of securities have been allocated a different level of subordination, which reflects the priority they have in the payment of principal and interest. For example, Class A securities have priority over Class B, while Class D securities have an even greater degree of subordination.

As a further guarantee of payment of principal and interest on the securities, the Bank has granted a limited-recourse mortgage loan in the form of a securities loan for €90 million.

The risks that remain in the hands of the Bank as a result of this transaction are therefore represented by the subordinated bonds (Class D securities) by guarantees given by granting a subordinated loan and a limited recourse mortgage loan.

The securitization transaction statement at December 31, 2004 reports a negative balance. As a result, for the sake of caution, it has been decided to adjust the value of the assets hedging this transaction. In consideration of the subordinated clauses specified in the contract, the BPL Group adjusted the value of the Junior securities by €36.8 million.

		As of December 31,		
		2004	2003	Change
A.	Securitized assets	369,547,261	427,630,417	(58,083,156)
	A.1) Loans	369,547,261	427,630,417	(58,083,156)
	A.2) Securities	—	—	—
	A.3) Other (to be specified)	—	—	—
B.	Use of amounts arising from the management of the loans	102,324,859	135,147,229	(32,822,370)
	B.1) Debt securities	—	—	—
	B.2) Equities	—	—	—
	B.3) Liquidity	5,075,422	3,390,928	1,684,494
	B.4) Repurchase agreements	96,194,460	130,036,733	(33,842,273)
	B.5) Other	1,054,977	1,719,568	(664,591)
C.	Securities issued	417,870,875	486,030,000	(68,159,125)
	C.1 Class A securities	101,840,875	170,000,000	(68,159,125)
	C.2 Class B securities	15,000,000	15,000,000	—
	C.3 Class C securities	151,000,000	151,000,000	—
	C.4 Class D securities	150,030,000	150,030,000	—
D.	Loans received	90,000,000	90,000,000	—
	D.1) Repurchase agreements for securities loaned	90,000,000	90,000,000	—
	D.2) Subordinated loan	—	—	—
E.	Other liabilities	26,643,593	12,570,978	14,072,615
	E.1) Due to the company	17,564	—	17,564
	E.2) Sundry debts	22,869,095	8,371,770	14,497,325
	E.3) Accrued expenses	3,756,934	4,199,208	(442,274)
F.	Interest expense on securities issued	19,659,187	13,629,152	6,030,035
G.	Transaction-related commissions and fees	7,456,388	5,970,047	1,486,341
	G.1) For the servicing service	1,783,735	1,975,764	(192,029)
	G.2) For other services	5,672,653	3,994,283	1,678,370
	G.2a) Commission for securities issued	—	—	—
	G.2b) Banking commission	227	323	(96)
	G.2c) Cash manager	26,966	13,484	13,482
	G.2d) Issuer	58,217	30,000	28,217
	G.2e) Paying Agent, Ron and others	35,497	22,309	13,188
	G.2f) Margin for IRS	5,551,746	3,928,167	1,623,579
H.	Other charges	27,895,230	18,503,436	9,391,794
	H.1) Legal and professional fees	890,980	392,528	498,452
	H.2) Losses on loans	24,776,302	15,971,646	8,804,656
	H.3) Non-deductible VAT	—	—	—
	H.4) Interest on loans	2,215,357	2,139,262	76,095
	H.5) Contingent loans	12,591	—	12,591
I.	Interest from the securitized assets	—	—	—
L.	Other income	18,190,898	12,279,303	5,911,595
	L.1) Interest income	3,151,143	2,437,451	713,692
	L.2) Margin for IRS	3,753,231	2,874,268	878,963
	L.3) Writebacks on loans	11,286,524	6,967,584	4,318,940

Securitization transaction with Sintonia Finance S.r.l.

In 2002, Banca Popolare di Cremona S.p.A., together with Centrobanca S.p.A., carried out a securitization transaction pursuant to Law 130/99, involving a portfolio of performing loans including mortgage loans granted to private individuals and companies.

The securitization started in the second half of 2002 and involved the assignment without recourse of performing loans to a vehicle company called Sintonia Finance S.r.l., listed at 34481 in the register of financial intermediaries described in Article 106 of the Consolidated Banking Act.

The assignment contract was stipulated on 23 December 2002: Sintonia Finance S.r.l. paid €166.9 million to the Bank as the price for the assignment of the loan portfolio, made up of €157.5 million as the assignment price and €9.4 million as the excess spread. At December 31, 2004 the loan portfolio amounted to €112.8 million.

The transaction was carried out with the assistance of Arca Bim S.p.A., Finanzattiva SIM S.p.A. and Schroder Salomon Smith Barney as arrangers.

The ratings agencies involved in carrying out the due diligence were Standard and Poor's and Fitch Ratings.

The Bank is also acting as servicer, since it is responsible for the management, administration and collection of loans sold.

The vehicle company also received a subordinated loan from the originator for €7.3 million at December 31, 2004 as further guarantee for the transaction.

A reciprocal indemnity agreement and a reciprocal surety to cover the risks related to the Junior notes have been subscribed to ensure the independence of each portfolio.

All of the securities underlying the securitization have been issued and subscribed on March 14, 2003, with the terms established by the resolatory clause. The junior tranche, amounting to €9.4 million (relating to the excess spread), was also issued on that date and was fully subscribed by Banca Popolare di Cremona S.p.A. On the basis of the securitized portfolio at December 31, 2004, it has been decided, as a cautionary measure, to adjust the value of the junior notes by €1.3 million. At December 31, 2004, this tranche is shown in the financial statements at a residual value of €8.1 million.

Securitization transaction with Bipielle Residential S.r.l.

In the first half of 2004, a number of BPL Group banks, by virtue of the provisions of Law 130/99, launched the securitization of loans granted in the technical form of the residential mortgage loan, and classified amongst performing loans.

More specifically, in May 2004, loans were sold at their face value for approximately €1,002.5 million to the vehicle company Bipielle Residential S.r.l., which financed the purchase by issuing securities bonds.

The securities, issued on June 30, 2004, are divided into 5 different classes (A1, A2, B, C and D) and have the following characteristics:

Class A1 securities (senior notes): bonds with their return indexed to the Euribor plus 10 base points per year, issued at par value for €230,000,000, which have been attributed the following ratings: AAA (Fitch) and Aaa (Moody's);

Class A2 securities (senior notes): bonds with their return indexed to the Euribor plus 17.5 base points per year, issued at par value for €733,000,000, which have been attributed the following ratings: AAA (Fitch) and Aaa (Moody's);

Class B securities (mezzanine notes): bonds with their return indexed to the Euribor plus 30 base points per year, issued at par value for €16,000,000, which have been attributed the following ratings: AA (Fitch) and Aa2 (Moody's);

Class C securities (mezzanine notes): bonds with their return indexed to the Euribor plus 80 base points per year, issued at par value for €19,000,000, which have been attributed the following ratings: BBB (Fitch) and Baa1 (Moody's);

Class D securities (junior notes): bonds with a return of 2% per year plus the additional return, if applicable, issued at a par value of €4,500,000, which have been subscribed pro quota by the transferees.

Except for the first two classes, which have an equal level of subordination, the other bonds have a gradually increasing level of subordination in the scale of payments. As part of the transaction, the Bank also granted a limited-recourse subordinated loan of €12 million as a liquidity reserve.

As part of the securitization, the Bank also has the role of portfolio servicer and manager, using the other BPL Group banks as sub servicers and Bipielle Società di Gestione del Credito S.p.A. as a special servicer for insolvent loans.

For more information on the particulars of the transaction, securitized assets, securities and activities carried out by the Bank, please refer to the notes to the financial statements of the Bank.

Banks which subscribed junior securities have, based on the accounting results of the vehicle company at December 31, 2004, booked a total amount of €11.8 million for *Additional Return* to the other operating income, which represents the surplus income (interest collected on the mortgage instalments) on the costs incurred.

A schedule summarizing the securitized assets and securities issued is given below:

		As of December 31,		
		2004	2003	Change
A.	Securitized assets	916,084,410	1,002,489,784	(86,405,374)
	A.1) Loans	916,084,410	1,002,489,784	(86,405,374)
	A.2) Securities	—	—	—
	A.3) Other (to be specified)	—	—	—
B.	Use of amounts arising from the management of the loans	107,430,303	—	107,430,303
	B.1) Debt securities	—	—	—
	B.2) Equities	—	—	—
	B.3) Liquidity	105,842,973	—	105,842,973
	B.4) Repurchase agreements	—	—	—
	B.5) Other	1,587,330	—	1,587,330
C.	Securities issued	1,002,500,000	—	1,002,500,000
	C.1 Class A securities	963,000,000	—	963,000,000
	C.2 Class B securities	16,000,000	—	16,000,000
	C.3 Class C securities	19,000,000	—	19,000,000
	C.4 Class D securities	4,500,000	—	4,500,000
D.	Loans received	12,000,000	—	12,000,000
	D.1) Securities loan	—	—	—
	D.2) Subordinated loan	12,000,000	—	12,000,000
E.	Other liabilities	128,785	1,002,489,784	(1,002,360,999)
	E.1) Due to the company	—	—	—
	E.2) Sundry debts	128,785	1,002,489,784	(1,002,360,999)
	E.3) Accrued expenses	—	—	—
F.	Interest expense on securities issued	14,557,345	—	14,557,345
G.	Transaction-related commissions and fees	24,874,394	—	24,874,394
	G.1) For the servicing service	652,236	—	652,236
	G.2) For other services	24,222,158	—	24,222,158
	G.2a) Commission for securities issued	41,940	—	41,940
	G.2b) Bank and post office commission	35,110	—	35,110
	G.2c) Cash manager	—	—	—
	G.2d) Issuer	50,000	—	50,000
	G.2e) Paying agent, Ron and others	34,333	—	34,333
	G.2f) Margin for IRS Cap	24,060,775	—	24,060,775
H.	Other charges	206,780	—	206,780
	H.1) Legal and professional fees	28,787	—	28,787
	H.2) Losses on loans	—	—	—
	H.3) Non-deductible VAT	—	—	—

H.4) Interest on loans	177,993	–	177,993
H.5) Contingent loans	–	–	–
I. Interest from the securitized assets.....	–	–	–
L. Other income	48,524,447	–	48,524,447
L.1) Interest income	29,735,232	–	29,735,232
L.2) Commission income	525,145	–	525,145
L.3) Income from swaps	18,264,069	–	18,264,069
L.4) Writebacks on loans	1	–	1

Securitization transactions with BPL Consumer S.r.l.

In June 2004, Bipielle Ducato carried out, as originator, a revolving securitization transaction on a performing loan portfolio, in order to diversify the sources of financing, pursuant to Law no. 130 of April 30, 1999.

On June 14, 2004, Bipielle Ducato sold consumer loans for a capital value of €501 million to a vehicle company, BPL Consumer S.r.l., set up pursuant to Article 1 of Law 130/99 and included in the list as per Article 107 of the Consolidated Banking Act. Following the collections made on the loans under the transaction, Bipielle Ducato will, on a quarterly basis, sell further loans according to contractual conditions specified for topping up the portfolio and for carrying out the transaction. The revolving period for the transaction will expire in October 2007.

The vehicle company financed the purchase of the loans by issuing the following categories of bonds:

Class A securities: floating rate bonds (3-month Euribor plus a spread of 0.22% per annum) for a value of €466,400,000, issue price 100%, which have been given the following ratings: Aaa (Moody's) and AAA (Fitch);

Class B securities: floating rate bonds (3-month Euribor plus a spread of 0.50% per annum) for a value of €29,600,000, issue price 100%, which have been given the following ratings: A1 (Moody's) and A (Fitch);

Class C securities: floating rate bonds (3-month Euribor plus a spread of 1.00% per annum) for a value of €2,000,000, issue price 100%, which have been given the following ratings: Baa1 (Moody's) and BBB (Fitch);

Junior class securities (unrated): floating rate bonds (3-month Euribor plus a spread of 1.50% per annum as well as an Additional Return to be calculated on the basis of collections) of €2,950,000, fully subscribed by Bipielle Ducato on issue.

The various types of securities have been allocated a different level of subordination, which reflects the priority they have in the payment of principal and interest. For example, Class A securities have priority over Class B, Class B securities have priority over Class C and lastly, junior class securities have an even greater degree of subordination.

Bipielle Ducato also took on the role of servicer, responsible for the collection and recovery of the loans sold according to the procedures analysed and agreed with the parties to this operation.

The operation's risk to Bipielle Ducato, represented by the junior class bonds which have greater subordination in the payment scale, is constantly monitored based on regular reports on collections, which are certified each year by international audit firms. These certificates state that the information stated in these monthly reports is true and fair.

Given that the junior class securities are expected to be recovered in full, they have not been written down.

The loans sold have not been adjusted and no interest is held in the vehicle company BPL Consumer S.r.l.

The costs and charges arising from the securitization assumed by the company with respect to structure, auditing and consultancy and totalling €759,000, have been capitalized and will be amortized on a straight-line basis for the duration of the revolving period.

In 2002, a similar transaction was performed through BPL Consumer S.r.l. Under this transaction, Bipielle Ducato sold consumer loans for a capital amount of €500 million. The vehicle company financed this purchase by issuing bonds divided into the following categories:

Class A securities: floating rate bonds (3-month Euribor plus a spread of 0.38% per annum) for a value of €470,030,000, issue price 100%, which have been given the following ratings: Aaa (Moody's) and AAA (Fitch);

Class B securities: floating rate bonds (3-month Euribor plus a spread of 0.80% per annum) for a value of €20,000,000, issue price 100%, which have been given the following ratings: A1 (Moody's) and A (Fitch);

Class C securities: floating rate bonds (3-month Euribor plus a spread of 1.50% per annum) for a value of €7,000,000, issue price 100%, which have been given the following ratings: Baa1 (Moody's) and BBB (Fitch);

Junior class securities (unrated): fixed-rate bonds (4% per annum plus an additional return to be calculated on the basis of the collections) for a total of €3,000,000, fully subscribed by the merged company on issue.

The various types of securities have been allocated a different level of subordination, which reflects the priority they have in the payment of principal and interest. For example, Class A securities have priority over Class B, Class B securities have priority over Class C and lastly, junior class securities have an even greater degree of subordination.

Each month, Bipielle Ducato tops up the portfolio on the basis of the collection trend. It has assumed the role of servicer, since it is responsible for collecting and recovering the loans sold, according to the procedures analyzed and agreed with the parties to this transaction.

Reports are prepared on the collections, which are audited each year by international audit firms. The audits state that the information stated in the quarterly reports is true and fair.

The figures for loans sold have not been adjusted.

The capitalized costs associated with the securitization, totalling €806,000 are amortized on a straight-line basis for the duration of the revolving period.

Securitization transaction with Du.Ca. SPV S.r.l.

During the second half of 2001, Bipielle Ducato carried out a revolving securitization transaction on a portfolio of performing loans through Du.Ca. SPV S.r.l., the vehicle company, set up in accordance with Article 1 of Law 130/99 and included in the list as per Article 107 of the Consolidated Banking Act. The company sold consumer loans for a capital amount of €502 million. The vehicle company financed the purchase of the loans by issuing the following categories of bonds:

Class A securities: floating rate bonds (3-month Euribor plus a spread of 0.42% per annum) for a value of €467,280,000, issue price 99.86%, which have been given the following ratings: Aaa (Moody's) and AAA (Fitch);

Class B securities: floating rate bonds (3-month Euribor plus a spread of 0.90% per annum) for a value of €25,120,000, issue price 100%, which have been given the following ratings: A2 (Moody's) and A (Fitch);

Class C securities: floating rate bonds (3-month Euribor plus a spread of 1.80% per annum) for a value of €6,020,000, issue price 100%, which have been given the following ratings: Baa2 (Moody's) and BBB (Fitch);

Class M securities (unrated): fixed-rate bonds (4% per annum plus an additional return to be calculated on the basis of the collections) for a total of €5,817,619, fully subscribed by the merged company at the time of issue.

The various types of securities have been allocated a different level of subordination, which reflects the priority they have in the payment of principal and interest. For example, Class A securities have priority over

Class B, Class B securities have priority over Class C and lastly, Class M securities have an even greater degree of subordination.

Each month, Bipielle Ducato will have to top up the portfolio on the basis of the collection trend. Bipielle Ducato is also acting as servicer, since it is responsible for collecting and recovering the loans sold, according to the procedures analysed and agreed with the parties to this transaction.

Reports are prepared on the collections, which are audited each year by international audit firms. The audits state that the information stated in the monthly reports is true and fair.

The loans sold have not been adjusted and no interest is held in the vehicle company Du.Ca. SPV S.r.l.

The capitalized costs associated with the securitization totalling €48 thousand, will be amortized on a straight-line basis for the duration of the revolving period.

For transactions with BPL Consumer S.r.l. and Du.Ca.SPV S.r.l., based on the accounting results of the vehicle companies at December 31, 2004, Bipielle Ducato has booked a total of €69.5 million for the *Additional Return*, to the other operating income, which represents the surplus income on the costs incurred.

11.8.2 Third-party securitization transactions

The securities associated with third-party securitization transactions are held in portfolio solely by the Bank. Thus, for information on these securities, please refer to section 11.8.2 of the notes to the financial statements of the Bank.

Section 12 – Administration and dealing on behalf of third parties

The BPL Group is authorized to trade in securities in accordance with Article 1.5 (a), (b), (c), (d) and (e) of the Financial Act. Trades carried out on behalf of third parties are discussed below:

12.1 – Securities trading

a)	Purchases	–
	1. Settled	–
	2. Unsettled	–
b)	Sales	6,459
	1. Settled	6,459
	2. Unsettled	–

12.2 – Portfolio management

Portfolio management on behalf of customers was to €8,321.1 million as of December 31, 2004 at market value.

12.3 – Custody and administration of securities

Securities held in custody and for administration are reported below at par value.

12.3 Custody and administration of securities

a)	third-party securities on deposit (excluding portfolio management)	51,684,603
	1. securities issued by the Bank	–
	2. other securities.....	51,684,603
b)	third-party securities deposited with third parties.....	14,033,453
c)	own securities deposited with third parties	5,925,947

12.4 – Collection of receivables for third parties debit and credit adjustments.

Third-party receivables that the Bank has been asked to collect as part of portfolio transactions are reported in the financial statements on the basis of their settlement dates, which has entailed the following adjustments:

12.4 Collection of receivables for third parties: debit and credit adjustments

a)	“debit” adjustments	3,295,971
	1. current accounts.....	43,042
	2. central portfolio	3,221,466
	3. cash on hand	1,473
	4. other accounts	29,990
b)	“credit” adjustments	3,321,191
	1. current accounts.....	29,990
	2. assignors of notes and documents.....	3,248,159
	3. other accounts	43,042

Part C - INFORMATION ON THE INCOME STATEMENT

Section 1 - Interest

	2004	2003	% Change
<i>Caption 10</i>			
Interest income and similar revenue	1,663,219	1,694,498	(1.85)%
<i>Caption 20</i>			
Interest expense and similar charges	795,188	870,106	(8.61)%

1.1 Analysis of caption 10 “interest income and similar revenue”

a) on amounts due from banks	51,036
of which:	
– on amounts due from central banks	5,829
b) on loans to customers	1,394,360
of which:	
– on loans with third-party funds under administration	139,506
c) on debt securities	133,138
d) other interest income	8,061
e) differential on hedging transactions	76,624
Total	1,663,219

1.2 Analysis of caption 20 “interest expense and similar charges”

a) on amounts due to banks	89,841
b) on amounts due to customers	117,817
c) on securities issued	497,097
of which:	
– on certificates of deposit	16,957
d) on third-party funds under administration	127
e) on subordinated liabilities	90,306
f) differential on hedging transactions	
Total	795,188

1.3 Detail of caption 10 “interest income and similar revenue”

a) on assets in foreign currency	117,974
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1.4 Detail of caption 20 “Interest expense and similar charges”

a) on liabilities in foreign currency	69,220
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Section 2 - Commission

	2004	2003	% Change
<i>Caption 40</i>			
Commission income	621,230	554,834	11.97%
<i>Caption 50</i>			
Commission expense	176,071	151,645	16.11%

2.1 Analysis of caption 40 "Commission income"

a)	guarantees given	19,689
b)	derivatives on loans	403
c)	management, brokerage and consulting services:	273,700
1.	securities trading	7,745
2.	foreign currency trading	6,336
3.	portfolio management	126,119
3.1	individual	36,299
3.2	collective	89,820
4.	custody and administration of securities	9,569
5.	custodian bank	9,578
6.	securities placement	57,620
7.	acceptance of instructions	15,799
8.	consulting activities	3,589
9.	distribution of third-party services	37,345
9.1	portfolio management	2,538
9.1.1.	individual	2,538
9.1.2.	collective	—
9.2	insurance products	21,018
9.3	other products	13,789
d)	collection and payment services	83,778
e)	servicing for securitization transactions	4,133
f)	tax collection services	16,172
g)	other services	223,355
Total	.....	621,230

2.2 Detail of caption 40 "Commission income"

Distribution channels and services

a)	at own branches:	
1.	portfolio management	2,334
2.	securities placement	53,375
3.	third-party services and products	30,469
b)	door-to-door:	
1.	portfolio management	123,785
2.	securities placement	4,245
3.	third-party services and products	6,876

2.3 Analysis of caption 50 "Commission expense"

a)	guarantees received	1,221
b)	derivatives on loans	525
c)	management and brokerage services:	93,677
1.	securities trading	10,553
2.	foreign currency trading	18
3.	portfolio management:	126
3.1	own portfolio	126
3.2	third-party portfolio	—
4.	custody and administration of securities	4,691
5.	securities placement	58,586
6.	door-to-door offer of securities, products and services	19,703
d)	collection and payment services	19,331
e)	other services	61,317
Total	.....	176,071

Section 3 – Profits and losses from financial transactions (caption 60)

	2004	2003	% Change
<i>Caption 60</i>			
Profits (losses) from financial transactions.....	45,770	24,791	84.62%

3.1 Analysis of caption 60 “profits/losses from financial transactions”

Captions / Transactions	Transactions in securities	Transactions in currencies	Other transactions
A1. Revaluations	79,923	XXXX	73,591
A2. Writedowns	(38,623)	XXXX	(74,991)
B. Other profits/losses	(5,199)	4,995	6,074
Total	36,101	4,995	4,674
1 Government securities.....	(3,217)		
2. Other debt securities	14,558		
3. Equities	53,821		
4. Derivatives on securities	(28,521)		

Section 4 – Administrative expenses

	2004	2003	% Change
<i>Caption 80</i>			
Administrative expenses			
a) personnel expenses.....	495,394	485,887	1.96%
b) other administrative expenses	399,313	413,891	(3.52)%
Total	894,707	899,778	(0.56)%

Personnel expenses are analyzed in the income statement.

The cost of renewing the labor contract is classified under personnel expenses for a total of €7 million.

The following table shows the average number of employees by category, determined by reference to employment at December 31, 2003 and 2004.

4.1 Average number of employees by category	2004
a) Executives	110
b) Executive cadres of 3rd and 4th level	998
c) Other	7,625
Total	8,733

Other administrative expenses

Other administrative expenses amounted to €399.3 million, and comprised:

Other administrative expenses

Maintenance on buildings	8,390
Maintenance on furniture	6,606
Insurance	7,193
Consultancy	20,115
Legal expenses for the recovery of loans	14,111
Stationery	2,148
Printed matter	2,648
Subscriptions to newspapers and magazines	997
Information and search expenses	8,095
Technical appraisals	775
Surveillance expenses	3,150
Cleaning	5,986
Advertising	17,419
Entertainment	1,513
Donations	1,529
Treasury services	5,659
Electricity and heating	10,805
Telephone and fax	9,613
Data transmission fees	38,248
Postage expenses	17,985
Info provider	9,396
Purchase of goods and services	24,314
EDP procedures maintenance	10,917
Software purchase and licence	5,907
Lease of machines	5,374
ICT costs	4,559
Registration of data from third parties	11,839
Rentals	41,707
Condominium expenses	3,607
Personnel travel expenses	4,785
Transport	10,690
Directors' Fees	9,770
Memberships	3,406
Taxes	60,805
Other	9,252
Total Other Administrative Expenses	399,313

Section 5 - Adjustments, writebacks and provisions

	2004	2003	% Change
<i>Caption 90</i>			
Adjustments to the value of tangible and intangible fixed assets	234,610	237,369	(1.16)%
<i>Caption 100</i>			
Provisions for contingencies and other charges	21,202	13,294	59.49%
<i>Caption 120</i>			
Write-downs on loans and provisions for guarantees and commitments.....	257,815	275,416	(6.39)%
<i>Caption 130</i>			
Write-backs on loans and on provisions for guarantees and commitments.....	27,105	18,706	44.90%
<i>Caption 140</i>			
Provisions to the reserves for loan losses	7,903	–	100.00%
<i>Caption 150</i>			
Adjustments to the value of financial fixed assets	51,171	28,618	78.81%
<i>Caption 160</i>			
Write-backs of adjustments to financial fixed assets	–	153	(100.00)%
<i>Caption 230</i>			
Change in the reserve for general banking risks	–	12,560	(100.00)%

Adjustments to the value of tangible and intangible fixed assets (caption 90)

Depreciation of tangible fixed assets	31,198
Amortization of intangible fixed assets	130,727
Amortization of goodwill arising on consolidation and on application of the equity method	72,685
Total	234,610

Provisions for contingencies and other charges (caption 100)

Provisions for the year are reflected in the table of movements in provisions for contingencies and other charges.

Adjustments on loans and provisions for guarantees and commitments (caption 120)

5.1 Analysis of caption 120 “Adjustments on loans and provisions for guarantees and commitments”

a) Writedowns on loans	257,792
of which:	
– general writedowns for country risk	–
– other general writedowns	23,667
b) Provisions for guarantees and commitments.....	23
of which:	
– general writedowns for country risk	–
– other general writedowns	23
Total	257,815

Writebacks consist primarily of the recovery of loans written off in previous years and writebacks of loans as a result of valuations.

Provisions to the reserves for loan losses (caption 140)

This caption includes provisions to the reserve for loan losses designed to cover losses only for interest.

Changes in reserve for general banking risks (caption 230)

There were no changes in the reserve for general banking risks.

Section 6 - Other captions in the income statement

	2004	2003	% Change
<i>Caption 30</i>			
Dividends and other revenues	113,210	51,796	118.57%
<i>Caption 70</i>			
Other operating income	312,762	226,323	38.19%
<i>Caption 110</i>			
Other operating expenses	15,819	7,164	120.81%
<i>Caption 190</i>			
Non-recurring income	152,861	188,785	(19.03)%
<i>Caption 200</i>			
Non-recurring expenses	97,693	130,476	(25.13)%
<i>Caption 240</i>			
Income taxes for the year	128,161	66,237	93.49%

Dividends and other revenues (caption 30)

This caption includes dividends from shares, quotas and other equities, and from investments in non-group companies received during the year.

Other operating income (caption 70)

6.1 Analysis of caption 70 "other operating income"

Rental income on buildings	4,202
Recovery of expenses on customer deposits and current accounts	112,549
Recovery of taxes	41,618
Profits from merchant banking activities	6,517
Other	147,876
Total	312,762

Other operating expenses (caption 110)

6.2 Analysis of caption 110 "other operating expenses"

Leasing expenses	94
Other	15,725
Total	15,819

Non-recurring income (caption 190)

6.3 Analysis of caption 190 “Non-recurring income”

Sundry gains.....	95,898
Profits from the sale of:	35,246
– Buildings	25,566
– Tangible fixed assets	279
– Intangible fixed assets.....	103
– Financial fixed assets	9,298
Other.....	21,717
Total	152,861

“Sundry gains” includes €26.9 million of tax benefits classified in the income statement offsetting the caption “Deferred tax assets” and €13.5 million relating to the gains realized on selling the clearing business of Banca Eurosystemi S.p.A. to ICBPI.

Profits from the sale of financial fixed assets include gains on disposals of minority investments for €9.2 million.

Non-recurring expenses (caption 200)

6.4 Analysis of caption 200 “Non-recurring expenses”

Sundry losses	74,499
Losses from the sale of:	14,968
– Tangible fixed assets	2,111
– Intangible fixed assets.....	328
– Financial fixed assets	12,529
Other.....	8,226
Total	97,693

Income taxes for the year (caption 240)

6.5 Analysis of caption 240 “Income taxes for the year”

1. current income taxes (-)	(115,784)
2. Change in deferred tax assets (+/-)	(6,025)
3. Change in deterred tax liabilities (-/+)	(6,352)
4. Income taxes for the year (-1 +/-2 -/+3))	(128,161)

Section 7 - Other information in the income statement

7.1. – Geographical distribution of income

7.1	Geographical distribution of income	
a)	Interest income and similar revenue (caption 10).....	1,663,219
	– Italy.....	1,616,426
	– Other EU countries.....	13,031
	– other	33,762
b)	Dividends and other revenues (caption 30).....	113,210
	– Italy.....	112,201
	– Other EU countries.....	173
	– other	836
c)	Commission income (caption 40)	621,230
	– Italy.....	596,481
	– Other EU countries.....	7,316
	– other	17,433
d)	Net income from financial transactions (caption 60)	45,770
	– Italy.....	42,722
	– Other EU countries.....	–
	– other	3,048
e)	Other operating income (caption 70)	312,762
	– Italy.....	311,870
	– Other EU countries.....	–
	– other	892

Part D – OTHER INFORMATION

Section 1 – Directors and Statutory Auditors

1.1 Fees

a) Directors	3,264
b) Statutory auditors	428

1.2 Loans and guarantees given

a) directors	33,249
b) statutory auditors	7,243

This amount includes lending transactions with companies in which the Bank's directors have an interest.

These took place in compliance with current laws (Article 136 of the Consolidated Banking Act).

Attachments

The following attachments containing supplementary information are an integral part of the explanatory notes.

This information is contained in the following attachments:

- Consolidated statement of financial position for the year ended December 31, 2004;
- Statement of changes in shareholders' equity;
- Quarterly changes in the consolidated income statement;
- List of equity investments in companies other than BPL Group companies carried at cost;
- List of equity investments exceeding 10% of the share capital represented by voting shares in unquoted joint-stock companies or by quotas in limited liability companies (CONSOB resolution no. 11715 of November 24, 1998);
- List of subordinated liabilities.

Consolidated statement of changes in financial position for the year ended December 31, 2004
(in thousands of euro)

Funds From Operations

Funds generated by operations

Net profit for the year	168,382
Net adjustments to loans	230,710
Adjustments to the value of tangible and intangible fixed assets	234,610
Net adjustments to the value of financial fixed assets	51,171
Provision to the reserves for loan losses	7,903
Provisions for contingencies and charges	21,202
Provision to the pension fund	13,154
Provision to the reserve for severance indemnities	25,136
	<hr/>
	752,268
Income taxes for the year	128,161
Total funds from operations	<u>880,429</u>

Decrease in assets

Cash and deposits	6,343
Customer loans	713,157
Trading securities	128,722
Other assets, accrued income and prepaid expenses	143,468
	<hr/>
	991,690
Increase in liabilities	
Other liabilities, accrued expenses and deferred income	325,370
	<hr/>
	<u>325,370</u>

Funds from Investment Activities

Decrease in assets

Own investment securities	74,050
Positive goodwill arising on consolidation and on application of the equity method	21,898
	<hr/>
	<u>95,948</u>

Funds from Financing Activities

Due from banks	776,039
Increase in share capital	22,899
Negative goodwill arising on consolidation and on application of the equity method	1,396
Minority interests	144,667
	<hr/>
	945,001
Total Sources of Funds	<u>3,238,438</u>

Funds used in Operations

Decrease in liabilities

Due to customers	1,341,828
Net change in the reserve for contingencies and charges	11,262
Net change in severance indemnities	29,443
Net change in provision for taxation	443,006
Net change in the reserve for loan losses	3,794
Net change in the pension fund	42,840
	<hr/>
	<u>1,872,173</u>

Funds Used in Investment Activities

Due to banks	668,585
Equity investments and shares	154,282
Tangible and intangible fixed assets	73,027
Own shares	1,514
	<hr/>
	897,408

Funds Used in Financing Activities

Subordinated liabilities	231,007
Reserves	136,958
Revaluation reserves pertaining to minority interests	39,339
Dividends	61,553
	<hr/>
	468,857

Total Application of Funds	3,238,438
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Statement of changes in consolidated shareholders' equity for the years ended December 31, 2003 and 2004

DESCRIPTION	Reserve for general banking risks	Negative goodwill arising on consolidation	Negative goodwill arising on application of the equity method	Share Capital	Share premium account	Legal reserve	Reserve for own shares	Statutory reserve	Other reserves	Revaluation Securitization reserve	Net profit for the year	Total
Balance at 12/31/02	17,560	872	1,016	387,689	1,034,467	41,521	993	1,191	14,394	132,847	(7,669)	30,412 1,655,293
Allocation of results at 12/31/02												
- Reserves	-	-	-	-	-	4,594	-	-	(3,986)	-	-	-
- Dividends	-	-	-	-	-	-	-	-	-	-	(608)	(27,048) (27,048)
- Personnel.....	-	-	-	-	-	-	-	-	-	-	(2,756)	(2,756)
Increase in share capital from 2.58 to 3	-	-	-	63,112	-	-	-	-	-	(63,112)	-	-
Increase in share capital.....	-	-	-	271,185	519,837	-	-	-	-	-	-	791,022
Conversion of subordinated bond	-	-	-	20	-	-	-	-	-	-	-	20
Utilisation of securitization reserve.....	-	-	-	-	-	-	-	-	-	-	-	-
Net change in the reserve for the purchase of own shares	-	-	-	-	-	-	(304)	-	304	-	-	-
Prescribed dividends	-	-	-	-	-	-	-	38	-	-	-	38
Extraordinary transactions	-	-	-	140,222	3,217	-	-	(94)	99,806	17,283	-	260,434
Reserve for general banking risks	(12,560)	-	-	-	-	-	-	-	-	-	-	(12,560)
Change in negative goodwill arising on consolidation.....	-	403	(377)	-	-	-	-	-	16,674	(23,201)	-	(6,501)
Change in the revaluation reserve	-	-	-	-	-	-	-	-	66,324	-	-	66,324
Other changes	-	-	-	-	-	-	-	-	-	-	-	-
Profit as of 12/31/03	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 12/31/03	5,000	1,275	639	862,228	1,557,521	46,115	689	1,135	193,516	63,817	-	42,384 2,774,319
Allocation of results at 12/31/03												
- Reserves	-	-	-	-	-	6,784	-	-	(25,953)	-	19,169	-
- Dividends	-	-	-	-	-	-	-	-	-	-	(57,483)	(57,483)
- Personnel.....	-	-	-	-	-	-	-	-	-	-	(4,070)	(4,070)
Increase in share capital.....	-	-	-	22,899	-	-	-	-	-	-	-	28,999
Net change in the reserve for the purchase of own shares	-	-	-	-	-	-	1,514	-	(1,514)	-	-	-
Prescribed dividends	-	-	-	-	-	-	-	20	-	-	-	20
Dividends on own shares.....	-	-	-	-	-	-	-	-	1,155	-	-	1,155
Change in negative goodwill arising on consolidation.....	-	(83)	1,479	-	-	-	-	-	-	-	-	-
Change in the revaluation reserve	-	-	-	-	-	-	-	-	-	(39,339)	-	(39,339)
Other changes*	-	-	-	-	-	-	-	-	(138,133)	-	-	(138,133)
Profit as of 12/31/04	-	-	-	-	-	-	-	-	-	-	168,382	168,382
Balance at 12/31/04	5,000	1,192	2,118	885,127	1,557,521	52,899	2,203	1,155	29,071	24,478	-	168,382 2,729,146

* Other changes using the equity method largely refer to the effects of diluting the controlling interest in Reti Bancarie Holding S.p.A. following the capital increase made in the year by the latter and subscribed by third parties.

Quarterly changes in the consolidated income statement

Income statement	4th Qtr. 2004	3rd Qtr. 2004	2nd Qtr. 2004	1st Qtr. 2004	4th Qtr. 2003
Net interest income	237,476	245,707	266,957	231,101	897,594
Net commissions	134,589	84,906	125,869	99,795	429,465
Profits/losses from financial transactions	36,444	(197)	(10,317)	19,840	26,634
Other operating income	96,199	70,718	93,708	52,137	229,142
Income from banking activities	504,708	401,134	476,217	402,873	1,582,835
Administrative expenses and other operating income	(252,850)	(210,349)	(228,183)	(219,144)	(965,505)
– personnel expenses	(125,920)	(118,522)	(130,166)	(120,786)	(518,484)
– other administrative expenses	117,918	(88,341)	(97,169)	(95,885)	(439,508)
– other operating expenses	(9,012)	(3,486)	(848)	(2,473)	(7,513)
Operating profit	251,858	190,785	248,034	183,729	617,330
Adjustments to tangible and intangible fixed assets	(62,889)	(56,289)	(57,931)	(57,501)	(254,517)
Provisions for contingencies and other charges	(3,082)	(2,154)	(14,152)	(1,814)	(13,964)
Adjustments/writebacks and provisions to loan losses	(83,638)	(38,858)	(87,789)	(28,328)	(269,594)
Adjustments/writebacks to financial fixed assets	(14,890)	(12,485)	(14,935)	(8,861)	(29,446)
Profits (losses) on equity investments carried at equity	11,070	254	(220)	1,074	(2,802)
Profit from ordinary operations	98,429	81,253	73,007	88,299	47,007
Non-recurring items	52,599	(2,928)	(1,562)	7,059	60,619
Change in the reserve for general banking risks	–	–	–	–	12,560
Income taxes for the year	(66,093)	(20,365)	(9,409)	(32,294)	(46,878)
Net profit pertaining to minority interests-	32,083	(23,157)	(18,169)	(26,204)	(46,373)
Net profit	52,852	34,803	43,867	36,860	26,935

List of equity investments in companies carried at cost

Equity investments	Book value	% held
Abruzzo Sviluppo S.p.A. – Pescara	10	1.7983
Acque Minerali Riunite S.p.A. – Rome	22,822	100.0000
Agenzia Sviluppo Simeto – Paternò (PA)	3	3.0000
Agrifactoring S.p.A. – Rome	0	2.5000
Agriturpesca S.r.l. – Trapani	5	4.7170
Alfa Iota 2002 S.r.l. – Milan	12	35.0000
Ali S.p.A. – Rome	6,289	28.3530
Alpi Eagles S.p.A.	3,000	7.2097
Angiolucci International S.A. – Luxembourg	650	39.3900
Archimede 1 S.p.A. – Venice	8,492	15.0000
Area Media Web S.r.l. – Verdellino (BG)	5	50.0000
Aurora Shipping S.p.A. – Naples.....	2,927	45.0000
Banca Centrale di Credito Popolare – Centrobanca S.p.A. – Milan	30,140	3.9464
Banca della Nuova Terra S.p.A.	3,757	5.0000
Banca per il Leasing S.p.A. – Italease – Milan	12,371	4.5948
Banca d'Italia – Rome	58,706	1.2253
Banca Popolare Provinciale Lecchese S.p.A. – Lecco	60	0.4041
Bakery Equity Luxembourg S.A. – Luxembourg	69,977	9.9500
Biasi S.p.A – Verona	4,379	10.5970
Bipielle Residential S.r.l. – Milan	1	4.0000
Bic Liguria S.p.A. (in liquidation) – Genoa.....	21	0.3986
Binda S.p.A. (in liquidation) – Olgiate Olona	0	1.1487
Black & Blue GMBH – Monaco di Baviera	701	24.8200
Braidense Seconda S.r.l. – Rome	68	100.0000
Cafindustria dell'Emilia Centrale S.p.A. – Bologna	2	0.4818
C.A.R.S. – Imola	1	3.4388
CA.RI.CE.SE	5	0.0704
Cassa di Risparmio di Bolzano – Bolzano.....	367,524	19.9900
Cattolica Assicurazioni S.p.A. – Verona	15	0.0013
Centrale dei Bilanci S.r.l. – Turin.....	2,636	5.8333
Centro Agro-Alimentare Valle Pescara Scarl – Cepagatti (PE)	281	1.5755
Centro Tessile Cotoniero S.p.A. – Busto Arsizio	21	0.6743
Centro Factoring S.p.A. – Florence	600	1.8711
Centro Pensioni Complementari Regionali S.p.A. – Bolzano	103	0.0605
Centro Servizi Promozione Imprenditoriale Bic S.r.l. – Livorno	2	1.0397
CE.VAL.CO S.p.A. – Campiglia Marittima	11	0.9474
CFN Class Financial Network S.p.A. – Milan.....	9	0.3001
Cim Italia S.p.A. – Bergamo	288	9.6795
Cinecittà Studio S.p.A. – Rome	1,937	7.5000
Citthef Scarl – Pozzuoli.....	1	9.0000
Co.Im.A. S.r.l. – Acireale (CT)	220	33.3300
Comital Saiag S.p.A. – Volpiano	12,205	28.5007
Compagnia dei Salari S.r.l. – Rome	13	19.4460
Consorzio Per lo Sviluppo Industriale dell'Area Chieti – Pescara	0	0.0933
Consorzio Bancario SIR (in liquidation) – Rome	0	0.1320
Consorzio Sempione S.p.A. – Rome	0	3.0300
Consulservice S.r.l. – Cavallino	1	0.7447
Cooperativa Artigiana di Garanzia Imolese – Imola	5	5.1179
Cooperativa Artigiana di Garanzia Bolognese Federfidi – Bologna	5	0.8808
Costruttori Romani Riuniti Grandi Opere S.p.A. – Rome.....	26	0.5000
CPL Concordia Scarl – Concordia sulla Secchia	932	8.9020

Equity investments (continued)	Book value	% held
Cremona Fiere S.p.A. – Cremona	52	5.0000
C.R.I.F. S.p.A. – Bologna.....	15	0.5949
Dalmed S.p.A. – Orgiano (VI).....	2,070	50.0000
Defonseca S.p.A. – Turin	2,250	15.0000
Deroma S.p.A. – Malo (VI)	12,861	66.2889
Dimensione Immobiliare S.p.A. – Bologna.....	780	15.0000
Dorogest S.p.A. – Ravenna	2	15.0000
E-Geos S.p.A. – Matera	2	2.0000
Geofor S.p.A. – Pontedera	105	0.3462
Earchimede S.p.A. – Brescia	25,000	11.9200
E-Mid S.p.A. – Milan.....	197	3.2500
Elsag Banklab S.p.A. – Genoa.....	919	13.3210
Ente per lo sviluppo zona industriale – Pisa	0	19.7300
Eurobic Abruzzo S.c.a r.l. – Chieti.....	1	0.0940
Eurocasce Sim S.p.A. (in liquidation) – Milan	0	20.9808
Euromobiliare Asset Management S.p.A. – Milan	1	0.0080
Euros S.p.A. Cefor & Istinform Consulting – Rome.....	323	5.1742
Eurotunnel PLC – United Kingdom.....	820	0.2270
Eurotunnel S.A. – France	809	0.2270
Eurovita Assicurazioni S.p.A. – Rome.....	1,580	2.1615
Evam S.p.A. – Massa	3	0.1057
Evoluzione 94 S.p.A. – Milan	1,716	13.9868
Factorit S.p.A. – Società di factoring delle Banche Popolari Italiane – Milan	1,526	3.9518
Farma.Cer. S.p.A. – Cernusco sul Naviglio.....	232	10.0000
Federazione Campana delle BCC – Salerno	27	0.9271
Ferfina S.p.A. – Rome	8,597	15.0000
Fidia Farmaceutici S.p.A. – Abano Terme	1	20.0000
Fidi Toscana – Florence	2,354	3.6642
Filse S.p.A. – Genoa	1,304	5.5462
Finanziaria ICCRI BBL (in liquidation) – Milan	1,309	50.0000
Finba Bakery Holding GMBH – Frankfurt.....	49,944	4.6000
Finba Bakery Netherlands B.V. – Amsterdam	15,188	4.6000
Fingruppo Holding S.p.A. – Brescia	1,246	0.1980
Finligure S.p.A. (in liquidation) – Genoa	0	0.8360
Fiera di Forlì S.p.A. – Forlì	5	0.0722
Fioroni Sistema S.p.A – Perugia	0	1.7780
Fira – Finanziaria Regionale Abbruzzese S.p.A. – Pescara.....	506	9.8000
Firenze Mostre S.p.A. – Florence	98	4.4444
Fival S.c.a r.l. – Pescara	4	6.5300
Flashmallit S.p.A. in liquidation – Rome	0	15.5960
Fondazione Teatro A. Ponchielli S.p.A. – Cremona	40	10.0000
Generale de Santé S.A. – Paris	38,400	7.9990
Gesam S.p.A. – Lucca	36	0.1268
GE.S.T. – Campobasso	1	0.4350
Ghenos Consultant S.r.l. – Salerno	14	1.3750
Glass Italy B.V. – Amsterdam	693	5.0010
H.D.C. S.p.A. – Milan	0	15.1350
Hopa S.p.A. – Brescia	206,891	5.4007
I.A.M. Piaggio S.p.A. (in receivership) – Genoa.....	0	1.4460
Industria Adriatica Confezioni S.p.A. (in receivership) – Chieti.....	211	9.0000
I.C.C.R.E.A. Holding – Rome	47	0.0093
Immobiliare Barberini S.r.l. – Rome	1,657	7.6160

Equity investments (continued)	Book value	% held
Imolascolo – Imola	52	1.2675
Interbrennero S.p.A. – Trento	13	0.2563
Industria e Università S.r.l. – Varese	53	0.5882
Internazionale Marmi e Macchine Carrara S.p.A. – Carrara	205	1.3475
Interporto Toscano A. Vespucci S.p.A. – Livorno Guasticce	319	2.6359
Interporto Val Pescara S.p.A. – San Giovanni Teatino (CH)	44	4.2500
Invitec Servizi S.r.l. in liquidazione – Perugia.....	0	1.4990
Iniziative Urbane S.p.A. – Trento	516	5.5550
Irce S.p.A. – Imola	1	0.0020
I.R.F.I.S. – Palermo	70	0.1921
Istituto Centrale delle Banche Popolari Italiane S.p.A. – Milan	18,053	10.6422
Istituto per l'Enciclopedia della Banca e della Borsa S.p.A. – Rome	59	7.2685
Istituto Europeo di Oncologia S.r.l. – Milan	1,364	2.3800
Isveimer S.p.A. (in liquidation) – Naples	0	0.0617
Kabelnetz NRW Ltd – Jersey	951	0.2350
Kinlab S.p.A. – San Giovanni Teatino (CH)	0	20.2300
Kiwi.com Serv. De Consultoria S.A.	60	0.1460
Leissè S.r.l. – Gressan	2,850	100.0000
Ligurcapital S.p.A. – Genoa.....	227	3.8636
Lucca polo Fiere & Tecnologia S.p.A. – Lucca.....	1,378	18.6000
LU.CEN.SE. S.p.A. – Lucca	44	12.5000
Mandelli S.p.A. (in receivership) – Piacenza.....	0	4.5030
Marconi Corporation PLC – Coventry (UK)	1	0.0178
Marina Chiavari – Servizi Portuali e Turistici S.r.l. – Chiavari	0	0.0100
Marr S.p.A. – Rimini	2,000	0.6670
Moby Invest S.p.A. – Milan.....	4,390	4.2850
Navicelli di Pisa – Pisa.....	47	6.7747
Necchi S.p.A. – Pavia.....	1,331	7.5164
Oglio Po Terre d'Acqua S.consortile a r.l. – Calvatone.....	1	2.0920
24 Ore Television S.p.A. – Milan	10	0.9873
Ospedaletto Servizi Soc. coop.r.l. – Pisa	1	3.8462
P.B. S.r.l. – Milan	7	5.7395
Pensplan Invest SGR – Bolzano.....	439	4.4444
Piaggio & C. S.p.A. – Pontedera (PI)	574	0.1501
Plastisud S.r.l. – Sulmona (AQ)	187	20.5400
Porta di Roma – Rome	10,329	2.9850
Porto Industriale di Livorno S.p.A. – Livorno	559	12.1457
Promozione e Sviluppo Val di Cecina – Rosignano Marittimo	1	5.5305
Qualiter S.c.a r.l. – Pescara	24	30.0000
Quantoro S.r.l. – Mosciano Sant'Angelo (TE)	0	23.3300
Reindustria S.c.r.l. – Cremona	10	10.0000
SAGA – Società Abruzzese Gestione Aeroporto S.p.A. – Pescara	401	10.0880
S.A.T. Società Autostrada Tirrenica – Rome	92	0.3483
Serfina S.p.A. – Chieti	167	1.6129
Società Interbancaria per l'Automazione – S.I.A. S.p.A. – Milan	32	0.1331
Società Igiene Ambientale Pescara – SIAP S.p.A. – Pescara	50	3.0000
Seim S.r.l. (in liquidation) – Rome	0	10.0000
Sequenza S.p.A. – Bolzano	4,330	6.8350
Simest S.p.A. – Rome	385	0.2650
Sintonia Finance S.r.l. – Milan	1	5.0000
Sisal S.p.A. – Milan	37,747	15.4340
Si Holding S.p.A. Gruppo Cartasì – Rome.....	339	1.5816

Equity investments (continued)	Book value	% held
Siteba S.p.A. – Milan	22	0.9224
SI.TE.L – Livorno	1	1.3557
Società Cooperativa per Case Popolari in Cremona a r.l. – Cremona	0	22.0300
Società Cooperativa Luzzatti Luigi – Rome	0	0.0000
Società Aereoporto Toscano Galileo Galilei S.p.A. – Pisa	538	7.5513
Società di Area Terre di Faenza S.c. a r.l. – Riolo Terme	6	5.8511
Società di Gestione per il Realizzo S.p.A. – Rome	192	1.2589
Società di Sviluppo Vigo di Fassa S.p.A. – Vigo di Fassa.....	32	13.4715
Sofis Energia S.r.l. – Pescara	32	33.0000
Solidarietà e Finanza Sim S.p.A. – Milan	413	20.0000
S.S.B. – Società per i Servizi Bancari S.p.A. – Milan.....	31	0.5736
Polis Fondi SGR S.p.A. – Milan	723	14.0000
S.T.A.I. – Imola	3	2.5126
Sviluppo Genova S.p.A. – Genoa	230	5.0000
Swift-Society for Worldwide Interbank Financial Telecommunication-Brussels ..	23	0.0742
Ti.Bre S.p.A. – Rome.....	26	4.0000
Trentino Welcome S.p.A. – Trento.....	30	25.0000
Tre Pi S.p.A. (in arrangement with creditors) – Rome	0	20.0000
TV Files S.p.A. – Rome	0	1.2130
Viareggio Porto S.p.A. – Viareggio	4	1.0000
Wittur A.G. – Monaco di Baviera	1,016	0.8508
UBS AG – Zurich	2	0.0000
Unipol Assicurazioni S.p.A. – Bologna	82,130	2.4309
Zucchetti. Com S.r.l. – Lodi.....	5,454	15.0000
Total other equity investments	1,171,698	

List of equity investments exceeding 10% of the share capital represented by voting shares in unlisted joint-stock companies or by quotas in limited liability companies(*) (CONSOB resolution no. 11715 of November 24, 1998)

Name	Owned by	% held
Azimuth Immobiliare S.r.l.	Basileus S.p.A.	100.0000
B.S.R. Gestioni Turistiche S.r.l.	Basileus S.p.A.	100.0000
Bussentina S.c.a.r.l. (in liquidation)	Basileus S.p.A.	20.0000
Finduemila S.r.l.	Basileus S.p.A.	100.0000
Framo S.c.a.r.l.	Basileus S.p.A.	75.0000
Hotel Project Lisboa Lda	Basileus S.p.A.	50.0000
Lido dei Coralli S.r.l.	Basileus S.p.A.	100.0000
Nadir Immobiliare S.p.A.	Basileus S.p.A.	100.0000
Nuovo Mondo S.c.a.r.l.	Basileus S.p.A.	10.0000
Portone S.c.a.r.l.	Basileus S.p.A.	30.0000
Andromeda Immobiliare S.r.l.	Basileus S.p.A.	100.0000
Antilia Immobiliare S.r.l.	Basileus S.p.A.	100.0000
Antares Immobiliare S.r.l.	Basileus S.p.A.	100.0000
Basileus 1 S.r.l.	Basileus S.p.A.	100.0000
Lisbona Immbiliare S.p.A.	Basileus S.p.A.	100.0000
Pegaso Immobiliare S.r.l.	Basileus S.p.A.	100.0000
Perseo Immobiliare S.r.l.....	Basileus S.p.A.	100.0000

(*) Does not include the equity investments already listed in the table titled “Major investments” in the Notes and in the table titled “List of equity investments carried at cost”.

Subordinated liabilities

Issuer	Amount in euro	Currency	Interest rate	Coupon	Date of issue	Date of maturity
Banca Popolare di Lodi	150,000,000	euro	Floating index-linked interest rate 3-month Euribor + 1.15% p.a.	quarter	11/16/2000	11/16/2007
Banca Popolare di Lodi	299,954,030	euro	4.75% per year fixed rate for the duration of the loan	yearly	03/20/2000	06/01/2010
Banca Popolare di Lodi	19,625,362	Italian lire	4.5% per year fixed rate for the duration of the loan	half-yearly	06/01/2000	06/01/2005
Banca Popolare di Lodi	20,000,000	euro	6.75% per year fixed rate for the duration of the loan	quarter	01/10/2001	01/10/2008
Efibanca	77,177,000	euro	Issues at floating rate made in 1999/2000/2001/2003, maturity 2008			
Banca Popolare di Lodi	25,000,000	euro	Floating index-linked interest rate 3-month Euribor +1% p.a.	quarter	01/10/2001	01/10/2008
Banca Popolare di Lodi	200,000,000	euro	3.40% the first coupon payable on 27/6/03. For the others, index-linked rate Euribor + 0.50% spread	half-yearly	12/27/2002	12/27/2012
Banca Popolare di Lodi	100,000,000	euro	4,50% yearly fixed rate payable on 27/12/2007; 5% annual fixed interest rate from 27/6/2008 up to maturity	half-yearly	12/27/2002	12/27/2012
Banca Popolare di Lodi	211,762,700	euro	Floating index-linked interest rate 3-month Euribor +0.50% p.a.	quarter	12/22/2003	12/22/2006
Caripe	35,000,000	euro	Floating index-linked interest rate 3-month Euribor +0.50% p.a.	half-yearly	11/3/2003	11/03/2008
Banca Popolare di Mantova	5,000,000	euro	Floating index-linked interest rate 6-month Euribor + 0.50% (step up clause after 5th year)	half-yearly	12/3/2004	12/3/2014

Subordinated liabilities

Early redemption	Conversion rights / other clauses
Lump-sum repayment on maturity	No option to convert to capital
The Bank has the right to reimburse the loan starting from June 15, 2005, if authorized by the Bank of Italy	Option to convert at the rate of one share for every bond, starting from the 40th day after the date of issue.
Lump-sum repayment on maturity	No option to convert to capital
Lump-sum repayment on maturity	No option to convert to capital
Lump-sum repayment on maturity	No option to convert to capital
Lump-sum repayment on maturity	No option to convert to capital
Lump-sum repayment on maturity	No option to convert to capital
Lump-sum repayment on maturity	No option to convert to capital
Lump-sum repayment on maturity	No option to convert to capital
Lump-sum repayment on maturity (the Bank has the right to reimburse the loan starting from December 3, 2009, if authorized by the Bank of Italy)	No option to convert to capital

Hybrid capitalization instruments (Upper Tier II)

Issuer	Amount in euro	Currency	Interest rate	Coupon	Date of issue	Date of maturity
Banca Popolare di Lodi	100,000,000	euro	6.75% per year fixed rate for the duration of the loan	quarter	12/15/2000	12/15/2010
Banca Popolare di Lodi	219,500,000	euro	floating index-linked to six-month Euribor plus a spread not lower than 80 base points	half-yearly	02/24/2000	06/30/2010
Banca Popolare di Lodi	50,000,000	euro	floating, index-linked to three-month Euribor + 1%	quarter	12/15/2000	12/15/2010
Reti Bancarie Holding	50,000,000	euro	5.75% per year fixed rate for the duration of the loan	half-yearly	12/14/2001	12/14/2011
Banca Popolare di Lodi	200,000,000	euro	3.60% the first coupon payable on 27/6/03. For the others, index-linked rate Euribor + 0.75% spread	half-yearly	12/27/2002	12/27/2012
Banca Popolare di Lodi	100,000,000	euro	5.30% per year fixed rate for the duration of the loan	half-yearly	12/27/2002	12/27/2012
Banca Eurosystemi	75,000,000	euro	Floating, index-linked to three-month Euribor + 100 base points	quarter	12/14/2001	12/14/2011

Innovative capital instruments

Issuer	Amount in euro	Currency	Interest rate	Coupon	Date of issue	Date of maturity
Banca Popolare di Lodi Investor Trust 1	25,000,000	euro	3.25% index-linked rate at 3-month Euribor	quarter	03/06/2000	12/31/2050
Banca Popolare di Lodi Investor Trust 2	74,934,000	euro	3.00% index-linked rate at 3-month Euribor	quarter	03/06/2000	12/31/2050

Hybrid capitalization instruments (Upper Tier II)

Early redemption	Conversion rights / other clauses
Lump-sum repayment on maturity	No option to convert to capital
Lump-sum repayment on maturity	No option to convert to capital
Lump-sum repayment on maturity	No option to convert to capital
Lump-sum repayment on maturity	No option to convert to capital
Lump-sum repayment on maturity	No option to convert to capital
Lump-sum repayment on maturity	No option to convert to capital
Lump-sum repayment on maturity	No option to convert to capital

Innovative capital instruments

Early redemption	Conversion rights / other clauses
	Preference shares
	Preference shares

AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF THE BANK



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AUDITORS' REPORT PURSUANT TO ART. 156 OF LEGISLATIVE DECREE No. 58 OF FEBRUARY 24, 1998

To the Shareholders of BANCA POPOLARE DI LODI S.C. A R.L.

1. We have audited the financial statements of Banca Popolare di Lodi S.c. a r.l. as of December 31, 2004. These financial statements are the responsibility of the Bank's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The audit of the financial statements of certain subsidiaries which, with respect to the consolidated financial statements, represent approximately 4% of consolidated total assets and 5% of consolidated net operating income, is the responsibility of other auditors.

For the opinion on the financial statements of the prior year, which are presented for comparative purposes as required by law, reference should be made to the auditors' report issued by us on April 7, 2004.

3. In our opinion, the financial statements present fairly the financial position of Banca Popolare di Lodi S.c. a r.l. as of December 31, 2004, and the results of its operations for the year then ended in accordance with the Italian law governing financial statements.

DELOITTE & TOUCHE S.p.A.

Signed by
Riccardo Motta
Partner

Milan, Italy
April 11, 2005

This report has been translated into the English language solely for the convenience of international readers

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma
Torino Treviso Verona Vicenza

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Partita IVA/Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239

Member of
Deloitte Touche Tohmatsu

FINANCIAL STATEMENTS OF THE BANK

Balance Sheets as at December 31, 2003 and 2004

(in euro)

Assets	December 31, 2004	December 31, 2003
Cash on hand and deposits with central banks and post offices	170,604,513	166,057,212
Treasury bills and similar bills eligible for refinancing with central banks	210,074,583	6,618,782
Due from banks:	5,632,518,681	3,214,013,380
a) demand	671,983,672	469,372,949
b) other loans	4,960,535,009	2,744,640,431
Customer loans	11,723,005,090	12,536,771,802
of which:		
– loans with third-party funds under administration	15,751	49,680
Bonds and other debt securities:	3,518,996,088	4,610,677,386
a) public entities	1,360,721,469	1,738,785,986
b) banks	1,356,262,125	1,770,347,289
of which:		
– own securities	91,469,901	65,793,625
c) financial institutions	644,605,334	946,501,605
d) other issuers	157,407,160	155,042,506
Shares, quotas and other equities	1,560,026,975	1,518,729,924
Equity investments	508,320,405	463,579,043
Investments in Group companies	4,020,845,528	3,493,189,372
Intangible fixed assets	583,520,749	635,891,968
Of which:		
– goodwill	440,148,978	499,524,033
Tangible fixed assets	43,809,560	44,576,387
Own shares	–	688,675
Other assets	1,296,273,139	2,111,078,990
Accrued income and prepaid expenses:	251,641,491	262,598,296
a) accrued income	174,495,164	168,057,757
b) prepaid expenses	77,146,327	94,540,539
of which:		
– issue premiums on securities	16,901,679	16,144,635
Total assets	29,519,636,802	29,064,471,217

Balance Sheets as at December 31, 2003 and 2004 (continued)

(in euro)

Liabilities	December 31, 2004	December 31, 2003
Due to banks:	6,075,151,972	5,417,705,492
a) demand	712,980,694	2,093,529,256
b) term or with notice	5,362,171,278	3,324,176,236
Due to customers:	8,263,764,565	8,241,332,933
a) demand	6,754,631,047	6,545,156,885
b) term or with notice	1,509,133,518	1,696,176,048
Securities issued:	8,269,300,481	8,612,479,573
a) bonds	7,575,830,979	7,836,874,971
b) certificates of deposit	496,936,251	567,403,515
c) other securities	196,533,251	208,201,087
Third-party funds under administration	665,423	638,170
Other liabilities	1,498,939,739	1,248,587,471
Accrued expenses and deferred income:	235,458,805	228,400,241
a) accrued expenses.....	179,405,717	156,854,010
b) deferred income	56,053,088	71,546,231
Provisions for severance indemnities..	99,184,260	98,810,756
Provisions for contingencies and other charges:	129,099,215	184,371,616
a) pension fund	49,077,761	42,562,391
b) provision for taxation	54,294,416	123,395,299
c) other provisions.....	25,727,038	18,413,926
Reserve for loan losses	5,332,792	23,676,594
Reserve for general banking risks	5,000,000	5,000,000
Subordinated liabilities	1,795,842,087	1,995,782,356
Share capital	885,127,227	862,227,726
Share premium account	1,557,520,551	1,557,520,551
Reserves:	509,294,499	433,990,804
a) legal reserve	52,898,983	46,114,905
b) reserve for own shares	—	688,675
c) statutory reserves	1,154,687	1,135,074
d) other reserves	455,240,829	386,052,150
Revaluation reserves	18,265,377	18,265,377
a) revaluation reserves.....	18,265,377	18,265,377
Net profit (loss) for the period	171,689,809	135,681,557
Total liabilities	29,519,636,802	29,064,471,217

Balance Sheets as at December 31, 2003 and 2004 (continued)
(in euro)

Guarantees and commitments

Captions	December 31, 2004	December 31, 2003
Guarantees given	1,602,158,014	1,936,421,963
of which:		
– acceptances.....	3,198,940	2,905,902
– other guarantees	1,598,959,074	1,933,516,061
Commitments	3,762,183,980	2,978,583,248
of which:		
– for sales with obligation to repurchase		
Derivatives on loans.....	113,792,063	136,200,079

Income statements for the Years Ended December 31, 2003 and 2004
(in euro)

Captions	December 31, 2004	December 31, 2003
Interest income and similar revenue ..	862,096,832	1,081,512,569
of which:		
– on customer loans	625,983,755	791,063,740
– on fixed-interest securities	116,238,369	197,426,436
Interest expense and similar charges..	532,142,329	717,754,321
of which:		
– on amounts due to customers	67,169,340	93,425,349
– on securities issued	354,284,054	475,707,058
Dividends and other revenues:	245,503,601	201,026,182
a) from shares, quotas and other equities	74,137,626	22,438,295
b) from equity investments	9,548,576	15,160,793
c) from investments in Group companies	161,817,399	163,427,094
Commission income	262,863,550	267,318,844
Commission expense	55,196,302	74,333,444
Profits (losses) from financial transactions	36,953,193	9,976,853
Other operating income	142,479,863	89,941,174
Administrative expenses:	498,533,308	473,861,985
a) personnel expenses	248,631,828	227,872,792
of which:		
– wages and salaries	174,363,153	160,042,944
– social security contributions.....	46,809,116	44,928,255
– severance indemnities	12,835,372	12,036,339
– retirement benefits	6,360,210	4,940,869
b) other administrative expenses	249,901,480	245,989,193
Writedowns of intangible and tangible fixed assets	116,671,530	99,767,809
Provisions for contingencies and other charges	6,620,709	4,119,104
Other operating expenses	2,310,180	4,200,637
Writedowns of loans and provisions for guarantees and commitments.....	118,770,845	125,816,399
Writebacks from loans and provisions for guarantees and commitments.....	10,190,179	3,753,587
Provisions to the reserve for possible loan losses	5,332,792	22,204,047
Writedowns of financial fixed assets ..	29,030,085	22,490,605
Profit (loss) from ordinary operations	195,479,138	108,980,858
Non-recurring income	21,560,410	142,323,476
Non-recurring expenses.....	42,805,957	109,141,428
Net non-recurring income (expenses)	(21,245,547)	33,182,048
Change in the reserve for general banking risks		12,559,535
Income taxes for the period	2,543,782	19,040,884
Net profit (loss) for the period	171,689,809	135,681,557

Income statements for the Years Ended December 31, 2003 and 2004 (continued)
(in euro)

Profit Allocation

Dividend to shareholders

€0.275 on 295,042,409 shares.....	€	81,136,662.47
To the legal reserve	€	17,168,980.90
To the distributable reserve	€	43,118,793.36
To the reserve for the purchase of own shares	€	25,000,000.00
To the reserve under Legislative Decree 124/93.....	€	114,678.00
To personnel (3%)	€	5,150,694.27
Net profit for the year 2004	€	171,689,809.00

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE
MONTHS ENDED MARCH 31, 2004 AND 2005**

The following summary reclassified consolidated financial statements are unaudited and have not been subject to external review. The pro forma adjustments as at and for the three months ended March 31, 2004 reflect the consolidation of Gruppo Area as if the acquisition of that group had occurred on March 31, 2004 in relation to the balance sheet and January 1, 2004 in relation to the income statement.

a. Balance Sheets as at March 31, 2004 and 2005

(thousands of euro)

	March 31, 2005	March 31, 2004 (Pro Forma)
	(Unaudited)	
Assets		
Cash on hand and deposits with central banks and post offices	210,967	196,028
Due from banks.....	2,785,801	3,514,701
Customer loans	26,826,196	26,440,713
Trading securities	5,870,758	5,459,185
Assets	3,499,570	3,355,195
– investment securities	416,128	425,515
– shareholdings	1,664,183	1,384,528
– intangible fixed assets	681,116	714,800
– tangible fixed assets	738,143	830,352
Own shares	20,646	37,079
Positive goodwill arising on consolidation and shareholders' equity	1,294,966	1,517,631
Other assets, accrued income and prepaid expenses	4,238,011	4,479,973
Total assets	44,746,915	45,000,505
	(Unaudited)	
	March 31, 2005	March 31, 2004 (Pro Forma)
Liabilities		
Due to banks	4,944,103	4,588,384
Due to customers and securities issued	29,107,491	29,875,880
Third-party funds under administration, other liabilities, accrued expenses and deferred income	3,842,992	3,560,736
Provisions	600,650	943,097
– provisions for severance indemnities	185,648	192,185
– pension funds and similar obligations	127,443	143,282
– provision for taxation	196,564	526,149
– provisions for contingencies and other charges	82,418	74,135
– reserve for loan losses.....	8,577	7,346
Subordinated liabilities	2,337,851	2,268,874
Minority interests	1,226,290	1,028,743
Shareholders' equity	2,687,538	2,734,791
– share capital	885,127	862,228
– reserve for general banking risks	5,000	5,000
– reserves	1,751,533	1,835,360
– net profit	45,878	32,203
Total liabilities	44,746,915	45,000,505

b. **Income Statement for the three-month periods ended March 31, 2004 and 2005**

(thousands of euro)

	March 31, 2005	March 31, 2004 (Pro Forma)
	(Unaudited)	
Captions in the income statement		
Interest Margin	228,673	232,083
Net commission	91,783	102,358
Profits (losses) from financial transactions	52,124	20,112
Other operating income	70,356	52,440
Total Income	442,936	406,993
Administrative expenses and other operating expenses	(221,892)	(227,065)
– payroll costs	(119,010)	(123,447)
– other administrative expenses	(97,079)	(100,682)
– other operating expenses	(5,803)	(2,936)
Operating Profit	221,044	179,928
Writedowns of intangible and tangible fixed assets	(59,240)	(60,965)
Provisions for contingencies and other charges	(2,360)	(1,914)
Writedowns/writebacks and provisions for loans	(32,703)	(28,870)
Writedowns/writebacks from financial fixed assets	(12,560)	(9,734)
Profits (losses) on equity investments carried at equity	2,957	2,066
Profit From Ordinary Operations	117,138	80,511
Net extraordinary income	(820)	6,951
Income taxes for the period	(47,147)	(29,593)
Net Profit Of Minority Interests	(23,293)	(25,666)
Net Profit	45,878	32,203

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THE TRUST

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