

Final Terms dated 14 November 2007

BANCO POPOLARE SOCIETÀ COOPERATIVA

Issue of
EUR30,000,000 CMS Linked Floating Rate Notes due November 2021
under the €30,000,000,000
EMTN Programme

(to be consolidated and form a single series with the existing
EUR170,000,000 CMS Linked Floating Rate Notes due November 2021
issued on 15 November 2006)

Part A
Contractual Terms

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") set forth in the Prospectus dated 28 July 2006 issued by Banco Popolare di Verona e Novara S.c. a r.l. ("BPVN") (the "BPVN Prospectus"), which are attached hereto as Annex A. On and with effect from 1 July 2007, BPVN and Banco Popolare Italiana - Banca Popolare di Lodi Società Cooperativa ("BPI") merged, and the Issuer, as the company resulting from this merger, has assumed all rights and liabilities of BPVN and BPI as of 1 July 2007 and has replaced BPVN and BPI in all their respective contractual relationships and judicial proceedings commenced before such date. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "Prospectus Directive") and must be read in conjunction with the Prospectus dated 7 September 2007 issued by the Issuer (the "BP Prospectus"), which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms, the BP Prospectus and the BPVN Prospectus. The BP Prospectus and the BPVN Prospectus are available for viewing at the website of the Luxembourg Stock Exchange (www.bourse.lu) and copies may be obtained from any of the Paying Agents or the Listing Agent.

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| 1 | (i) | Issuer: | Banco Popolare Società Cooperativa |
| 2 | (i) | Series Number: | 24 |
| | (ii) | Tranche Number: | 2 |
| | | (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible). | The Notes are intended to be consolidated and form a single series, as of the Issue Date, with the existing EUR170,000,000 CMS Linked Floating Rate Notes due November 2021 issued by Banco Popolare di Verona e Novara S.c. a r.l. on 15 November 2006. |
| 3 | | Specified Currency or Currencies:
(Condition 1.6) | Euro ("EUR") |
| 4 | | Aggregate Principal Amount of Notes: | |
| | (i) | Series: | EUR200,000,000 |
| | (ii) | Tranche: | EUR30,000,000 |

5	Issue Price:	100 per cent. of the Aggregate Principal Amount
6	(i) Specified Denominations: (Condition 1.4 or 1.5)	EUR100,000
7	(i) Issue Date:	14 November 2007
	(ii) Interest Commencement Date: (Condition 5.9)	15 November 2007
8	Maturity Date: (Condition 6.1)	15 November 2021
9	Interest Basis: (Condition 5)	10 Years EUR Swap Rate (further particulars specified below)
10	Redemption/Payment Basis: (Condition 6)	Redemption at par
11	Change of Interest or Redemption/ Payment Basis:	Not Applicable
12	Put/Call Options: (Condition 6.3 or 6.6)	Not Applicable
13	(i) Status of the Notes: (Condition 3)	Senior
	(ii) Date Board approval for issuance of Notes obtained:	1 July 2007
14	Method of distribution:	Non-syndicated
Provisions Relating to Interest (if any) Payable		
15	Fixed Rate Note Provisions	Not Applicable
16	Floating Rate Note Provisions	Applicable
	(i) Interest Period(s) (Condition 5.10)	Annually
	Specified Interest Payment Dates: (Condition 5.10)	15 November in each year commencing on 15 November 2008 to and including the Maturity Date subject to adjustment in accordance with the Business Day Convention specified below
	(ii) First Specified Interest Payment Date:	15 November 2008
	(iii) Business Day Convention: (Condition 5.10)	Following Business Day Convention
	(iv) Relevant Financial Centre(s): (Condition 5.10 and 9C.3)	London and TARGET
	(v) Manner in which the Rate(s) of interest is/are to be determined: (Condition 5.3)	ISDA Determination 94.50 per cent multiplied by the Floating Rate Option (as defined below)

	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Fiscal Agent): (Condition 5.8)	The Calculation Agent shall be JPMorgan Chase Bank, N.A.
(vi)	Screen Rate Determination: (Condition 5.3)	Not Applicable
(vii)	ISDA Determination: (Condition 5.4)	
	<ul style="list-style-type: none"> • Floating Rate Option: EUR-ISDA-EURIBOR Swap Rate – 11:00 as further set out in the 2000 ISDA Definitions • Designated Maturity: 10 years • Reset Date: First day of each Interest Period 	
(viii)	Margin(s):	Not Applicable
(ix)	Minimum Rate of Interest:	Not Applicable
(x)	Maximum Rate of Interest:	6.00 per cent. per annum
(xi)	Day Count Fraction: (Condition 5.10)	30/360
(xii)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	As set out in the Conditions
17	Zero Coupon Note Provisions (Condition 5.1)	Not Applicable
18	Index Linked/Other Variable-Linked Interest Note Provisions	Not Applicable
19	Dual Currency Note Provisions	Not Applicable
Provisions Relating to Redemption		
20	Call Option (Condition 6.3)	Not Applicable
21	Put Option (Condition 6.6)	Not Applicable
22	Final Redemption Amount of each Note	EUR100,000 per Note
23	Early Redemption Amount (Condition 6.2 and 6.3)	
	Early Redemption Amount(s) of each Note payable on redemption for	As set out in the Conditions

taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24	Form of Notes: (Condition 1.1) (Condition 2.4 to 2.8)	Bearer Notes: Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note
25	New Global Note Form:	No
26	Relevant Financial Centre(s) or other special provisions relating to Interest Payment Dates: (Condition 5.10) (Condition 9C.3)	London and TARGET
27	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): (Condition 1.2)	No
28	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: (Condition 1.7)	Not Applicable
29	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: (Condition 6.1)	Not Applicable
30	Redenomination, renominalisation and reconventioning provisions:	Not Applicable
31	Consolidation:	Not Applicable
32	Other final terms:	Not Applicable
33	Nature of Notes (Condition 8.1.4)	Typical Securities

DISTRIBUTION

34	(i) If syndicated, names of Managers:	Not Applicable
	(ii) Stabilising Manager(s) (if any):	Not Applicable

- 35** If non-syndicated, name of Dealer: J.P. Morgan Securities Ltd.
- 36** U.S. Selling Restrictions: Reg. S Compliance Category 2; TEFRA C
- 37** Additional selling restrictions: Not Applicable

Purpose of Final Terms

These Final Terms comprise the final terms required for issue and admission to trading on the Luxembourg Stock Exchange's regulated market of Notes described herein pursuant to the €30,000,000,000 EMTN Programme of Banco Popolare Società Cooperativa

Responsibility

The Issuer accepts responsibility for the information contained in these Final Terms.

Signed on behalf of the Issuer:

By:
Duly authorised

Part B
Other Information

1 LISTING AND ADMISSION TO TRADING

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| (i) | Admission to trading: | Application will be made for the Notes to be admitted to trading on the Luxembourg Stock Exchange's Regulated Market on or about 14 November 2007. |
| (ii) | Estimate of total expenses related to admission to trading: | EUR900 |

2 RATINGS

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| Ratings: | Notes of the type to be issued under the Programme generally are expected to be rated:
S & P: A
Moody's: A2
Fitch: A+ |
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3 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save as discussed in "Subscription and Sale", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.

4 REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

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|-------|---------------------------|--|
| (i) | Reasons for the offer | See "Use of Proceeds" wording in the BP Prospectus |
| (ii) | Estimated net proceeds: | EUR30,000,000 |
| (iii) | Estimated total expenses: | EUR900 |

5 YIELD

Indication of yield:	Not Applicable
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6 PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING

Not Applicable

7 PERFORMANCE OF RATE[S] OF EXCHANGE

Not Applicable

8 Operational Information

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| ISIN Code: | XS0272309385 |
| Common Code: | 027230938 |
| Intended to be held in a manner which would allow Eurosystem eligibility: | No |
| Any clearing system(s) other than | Not Applicable |

Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):

Delivery:

Delivery free of payment

Names and addresses of initial Paying Agent(s):

Citibank, N.A., London Branch
21st Floor, Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

Dexia Banque Internationale à Luxembourg
69, Route d'Esch
L-2953 Luxembourg

Names and addresses of additional Paying Agent(s) (if any):

Not Applicable

9 FURTHER INFORMATION RELATING TO THE ISSUER

The following information relating to the Issuer is provided pursuant to Article 2414 of the Italian Civil Code.

(i) Objects

The objects of the Issuer, as set out in Article 4 of its by-laws, are as follows:

The objects of the Issuer are to collect and maintain saving funds and issue loans and credit, in its various forms, to the benefit of both its registered shareholders and non-shareholders, guided by the principles underlying Cooperative Credit. To this end, the Issuer devotes a special attention to the communities served by its subsidiary banks and by the Group branch network, in particular with regard to small and medium enterprises and to cooperatives. In keeping with its institutional mission, the Issuer extends favourable conditions to its shareholders for the use of specific services, also through its subsidiaries.

Moreover, the Issuer can perform all banking, financial and insurance activities, transactions and services as permitted to lending institutions by current regulations, and for which prior regular authorization was obtained, including bond issues, extension of financing facilities governed by special acts, and the sale and purchase of receivables (factoring).

The Issuer can carry out any other transaction instrumental, or in any case linked, to the achievement of the company

mission. In order to accomplish its objectives, the Issuer can join associations and consortia.

In its capacity as bank exercising a management and coordination control over the banking group Gruppo Bancario Banco Popolare, pursuant to art. 61, paragraph four, Law Decree n. 385 of September 1st, 1993, in the exercise of its management and coordination duties, the Issuer issues directives to the companies of the Group, also to implement instructions imparted by the Bank of Italy and for the sake of the Group's stability.

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| (ii) Registered office: | Piazza Nogara 2, 37121 Verona, Italy |
| (iii) Company registration: | Registered at the Companies' Registry in Verona under registration number 03700430238. |
| (iv) Amount of paid-up share capital and reserves as at 30 June 2007: | €2,305,728,126, consisting of 640,480,035 ordinary shares with a nominal value of €3.60 each. |
| (v) Amount of reserves and net income as at 30 June 2007: | €8,166,735,000 |

Annex A
Terms and Conditions of the Notes
(as extracted from the BPVN Prospectus)

The following are the Terms and Conditions of the Notes in definitive form which as supplemented, modified or replaced in relation to any Notes by the relevant Final Terms, will be applicable to each Series of Notes:

The Notes are issued pursuant to and in accordance with an amended and restated fiscal agency agreement (as amended, supplemented or replaced, the "**Fiscal Agency Agreement**") dated 16 September 2005 and made between Banco Popolare di Verona e Novara società cooperativa a responsabilità limitata (the "**Issuer**"), Citibank, N.A. in its capacities as fiscal agent (the "**Fiscal Agent**", which expression shall include any successor to Citibank, N.A. in its capacity as such) and as transfer agent, Citibank, N.A. in its capacity as registrar (the "**Registrar**", which expression shall include any successor to Citibank, N.A. in its capacity as such) and The Bank of New York and Dexia Banque Internationale à Luxembourg, Société Anonyme, as paying agents (together with the Fiscal Agent, the "**Paying Agents**", which expression shall include any successor or additional paying agents appointed in accordance with the Fiscal Agency Agreement) and as transfer agents (together with the transfer agent mentioned above, the "**Transfer Agents**", which expression shall include any successor or additional transfer agents appointed in accordance with the Fiscal Agency Agreement). For the purposes of making determinations or calculations of interest rates, interest amounts, redemption amounts or any other matters requiring determination or calculation in accordance with the Conditions of any Series of Notes (as defined below), the Issuer may appoint a calculation agent (the "**Calculation Agent**") for the purposes of such Notes, in accordance with the provisions of the Fiscal Agency Agreement, and such Calculation Agent shall be specified in the applicable Final Terms. The Notes have the benefit of a deed of covenant (as amended, supplemented or replaced, the "**Deed of Covenant**") dated 16 September 2005 executed by the Issuer in relation to the Notes issued by the Issuer. Copies of the Fiscal Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents, the Registrar and the Transfer Agents. All persons from time to time entitled to the benefit of obligations under any Notes shall be deemed to have notice of, and shall be bound by, all of the provisions of the Fiscal Agency Agreement and the Deed of Covenant insofar as they relate to the relevant Notes.

The Notes are issued in series (each, a "**Series**"), and each Series may comprise one or more tranches ("**Tranches**" and each, a "**Tranche**") of Notes. Each Tranche will be the subject of a final terms (each, a "**Final Terms**"), a copy of which will be obtainable during normal business hours at the specified office of the Fiscal Agent or, as the case may be, the Registrar and the Paying Agent in Luxembourg. In the case of a Tranche of Notes in relation to which application has not been made for listing on any stock exchange, copies of the Final Terms will only be available for inspection by a Holder of or, as the case may be, a Beneficiary (as defined in the Deed of Covenant) in respect of, such Notes.

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

References in these Terms and Conditions to Notes are to Notes of the relevant Series and any references to Coupons (as defined in Condition 1.2) and Receipts (as defined in Condition 1.3) are to Coupons and Receipts relating to Notes of the relevant Series.

References in these Terms and Conditions to euro are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.

References in these Terms and Conditions to the Final Terms are to the Final Terms prepared in relation to the Notes of the relevant Tranche or Series.

In respect of any Notes, references herein to these Terms and Conditions are to these terms and conditions as supplemented or modified or (to the extent thereof) replaced by the Final Terms.

1. FORM AND DENOMINATION

Form of Notes

- 1.1 Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**"), as specified in the Final Terms. Bearer Notes are serially numbered. Registered Notes are not exchangeable for Bearer Notes.
- 1.2 Interest-bearing Bearer Notes have attached thereto at the time of their initial delivery coupons ("**Coupons**"), presentation of which will be a prerequisite to the payment of interest save in certain circumstances specified herein. In addition, if so specified in the Final Terms, such Notes have attached thereto at the time of their initial delivery, a talon ("**Talon**") for further coupons and the expression "Coupons" shall, where the context so requires, include Talons.
- 1.3 Bearer Notes, the principal amount of which is repayable by instalments ("**Instalment Notes**") have attached thereto at the time of their initial delivery, payment receipts ("**Receipts**") in respect of the instalments of principal.

Denomination of Bearer Notes

- 1.4 Bearer Notes are in the denomination or denominations specified in the relevant Final Terms. Bearer Notes of one denomination may not be exchanged for Bearer Notes of any other denomination.

Notes may not be issued under the Programme with a Specified Denomination of less than euro 50,000 (or equivalent in another currency).

Denomination of Registered Notes

- 1.5 Registered Notes are in the minimum denomination specified in the relevant Final Terms or integral multiples thereof.

Notes may not be issued under the Programme with a Specified Denomination of less than euro 50,000 (or equivalent in another currency).

Currency of Notes

- 1.6 The Notes are denominated in such currency as may be specified in the relevant Final Terms. Any currency may be so specified, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Partly Paid Notes

- 1.7 Notes may be issued on a partly paid basis ("**Partly Paid Notes**") if so specified in the Final Terms. The subscription moneys therefor shall be paid in such number of instalments ("**Partly Paid Instalments**") in such amounts, on such dates and in such manner as may be specified in the Final Terms. The first such instalment shall be due and payable on the date of issue of the Notes. For the purposes of these Terms and Conditions, in respect of any Partly Paid Note, ("**Paid Up Amount**") means the aggregate amount of all Partly Paid Instalments in respect thereof as shall have fallen due and been paid up in full in accordance with the Terms and Conditions.

Not less than 14 days nor more than 30 days prior to the due date for payment of any Partly Paid Instalment (other than the first such instalment) the Issuer shall publish a notice in accordance with Condition 14 stating the due date for payment thereof and stating that failure to pay any such Partly Paid Instalment on or prior to such date will entitle the Issuer to forfeit the Notes with effect from such date ("**Forfeiture Date**") as may be specified in such

notice (not being less than 14 days after the due date for payment of such Partly Paid Instalment), unless payment of the relevant Partly Paid Instalment together with any interest accrued thereon is paid prior to the Forfeiture Date. The Issuer shall procure that any Partly Paid Instalments paid in respect of any Notes subsequent to the Forfeiture Date in respect thereof shall be returned promptly to the persons entitled thereto. The Issuer shall not be liable for any interest on any Partly Paid Instalment so returned.

Interest shall accrue on any Partly Paid Instalment which is not paid on or prior to the due date for payment thereof at the Interest Rate (in the case of non-interest bearing Notes, at the rate applicable to overdue payments) and shall be calculated in the same manner and on the same basis as if it were interest accruing on the Notes for the period from and including the due date for payment of the relevant Partly Paid Instalment up to but excluding the Forfeiture Date. For the purpose of the accrual of interest, any payment of any Partly Paid Instalment made after the due date for payment shall be treated as having been made on the day preceding the Forfeiture Date (whether or not a Business Day as defined in Condition 5.9).

Unless an Event of Default (or an event which with the giving of notice, the lapse of time or the making or giving of any determination or certification would constitute an Event of Default) shall have occurred and be continuing, on the Forfeiture Date, the Issuer shall forfeit all of the Notes in respect of which any Partly Paid Instalment shall not have been duly paid, whereupon the Issuer shall be entitled to retain all Partly Paid Instalments previously paid in respect of such Notes and shall be discharged from any obligation to repay such amount or to pay interest thereon.

2. TITLE AND TRANSFER

- 2.1 Title to Bearer Notes, Receipts and Coupons passes by delivery. References herein to the "Holders" of Bearer Notes or of Receipts or Coupons are to the bearers of such Bearer Notes or such Receipts or Coupons.
- 2.2 Title to Registered Notes passes by registration in the register which the Issuer shall procure to be kept by the Registrar (the "**Register**"). References herein to the "Holders" of Registered Notes are to the persons in whose names such Registered Notes are so registered in the Register. A certificate (each a "**Certificate**") will be issued to each Holder in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register.
- 2.3 The Holder of any Bearer Note, Coupon or Registered Note will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes but, in the case of any Global Note (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing on the relevant Note or Certificate, or any theft or loss thereof) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

Transfer of Registered Notes and exchange of Bearer Notes for Registered Notes

- 2.4 A Registered Note may, upon the terms and subject to the conditions set forth in the Fiscal Agency Agreement and further subject to the provisions of Condition 2.8, be transferred in whole or in part only (provided that such part is, or is an integral multiple of, the minimum denomination specified in the Final Terms) upon the surrender of the relevant Certificate, together with the form of transfer endorsed on it duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require, at the specified office of the Registrar or any Transfer Agent. A new Certificate will be issued to the transferee and, in the case of a transfer of part only of a Registered Note, a new Certificate in respect of the balance not transferred will be issued to the transferor.

- 2.5 If so specified in the Final Terms and subject to the provisions of Condition 2.8, the Holder of Bearer Notes may exchange the same for the same aggregate principal amount of Registered Notes upon the terms and subject to the conditions set forth in the Fiscal Agency Agreement. In order to exchange a Bearer Note for a Registered Note, the Holder thereof shall surrender such Bearer Note at the specified office outside the United States of the Fiscal Agent, the Registrar or of any Transfer Agent together with a written request for the exchange. Each Bearer Note so surrendered must be accompanied by all unmatured Receipts and Coupons appertaining thereto other than the Coupon in respect of the next payment of interest falling due after the exchange date (as defined in Condition 2.6) where the exchange date would, but for the provisions of Condition 2.6, occur between the Record Date (as defined in Condition 9B.3) for such payment of interest and the date on which such payment of interest falls due.
- 2.6 A Certificate representing each new Registered Note or Notes to be issued upon the transfer of a Registered Note or the exchange of a Bearer Note for a Registered Note will, within three Relevant Banking Days of the transfer date or, as the case may be, the exchange date be available for collection by each relevant Holder at the specified office of the Registrar or the Transfer Agent (as the case may be) or, at the option of the Holder requesting such exchange or transfer be mailed (by uninsured post at the risk of the Holder(s) entitled thereto) to such address(es) as may be specified by such Holder. For these purposes, a form of transfer or request for exchange received by the Registrar, the Fiscal Agent or the Transfer Agent (as the case may be) after the Record Date in respect of any payment due in respect of Registered Notes shall be deemed not to be effectively received by the Registrar, the Fiscal Agent or the Transfer Agent (as the case may be) until the day following the due date for such payment. For the purposes of these Terms and Conditions:
- 2.6.1 **"Relevant Banking Day"** means a day, other than a Saturday or Sunday, on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar or the Transfer Agent is located and, in the case only of an exchange of a Bearer Note for a Registered Note where such request for exchange is made to the Fiscal Agent, in the place where the specified office of the Fiscal Agent is located;
- 2.6.2 the **"exchange date"** shall be the Relevant Banking Day following the day on which the relevant Bearer Note shall have been surrendered for exchange in accordance with Condition 2.5; and
- 2.6.3 the **"transfer date"** shall be the Relevant Banking Day following the day on which the relevant Registered Note shall have been surrendered for transfer in accordance with Condition 2.4.
- 2.7 The issue of new Registered Notes on transfer or on the exchange of Bearer Notes for Registered Notes will be effected without charge by or on behalf of the Issuer, the Fiscal Agent, the Registrar or the Transfer Agent, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer, the Fiscal Agent, the Registrar or the Transfer Agent may require in respect of) any tax, duty or other governmental charges which may be imposed in relation thereto.
- 2.8 No Holder may require the transfer of a Registered Note to be registered or a Bearer Note to be exchanged for a Registered Note during the period of 15 days ending on the due date for the payment of any principal or interest in respect of such Note.

3. STATUS OF THE NOTES

3A. Status — Unsubordinated

3A.1 This Condition 3A is applicable in relation to Notes specified in the Final Terms as being unsubordinated or not specified as being subordinated ("**Senior Notes**").

3A.2 The Senior Notes and the Receipts and Coupons relating to them constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves and at least *pari passu* with all other unsubordinated and unsecured obligations of the Issuer, present and future (save for certain mandatory exceptions provided by law).

3B. Status — Subordinated Notes

3B.1 This Condition 3B is applicable only in relation to Notes specified in the Final Terms as being subordinated ("**Subordinated Notes**").

3B.2 The Lower Tier II Subordinated Notes (Passività Subordinate, as defined in Title IV, Chapter I Section II, paragraph 4.2 of the Regulations of the Bank of Italy (*Istruzioni di Vigilanza della Banca d'Italia*) as amended from time to time (the "**Bank of Italy's Regulations**")) and the Upper Tier II Subordinated Notes (*Strumenti Ibridi di Patrimonializzazione*, as defined in Title IV, Chapter I, Section II, paragraph 4.1 of the Bank of Italy's Regulations) (being those Notes that are specified in the relevant Final Terms as being Lower Tier II Subordinated Notes or Upper Tier II Subordinated Notes, together, "**Subordinated Notes**") and the Receipts and Coupons relating to them constitute unsecured subordinated obligations of the Issuer and, subject to Condition 3B.3 and 3B.4, rank *pari passu* and without any preference among themselves. In relation to each Series of Subordinated Notes, all Subordinated Notes of such Series will be treated equally and all amounts paid by the Issuer in respect of principal and interest thereon will be paid *pro rata* on all Subordinated Notes, as the case may be, of such Series. In the event of the bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*, as described in Article 80 to 94 of Legislative Decree No. 385 of 1 September 1993, as amended from time to time (the "**Italian Banking Act**")), dissolution, liquidation or winding-up of the Issuer, the payment obligations of the Issuer under the Subordinated Notes and the Receipts and Coupons relating to them shall rank in right of payment after unsubordinated unsecured creditors (including depositors) of the Issuer but *pari passu* with all other present and future subordinated obligations of the Issuer that are not expressed by their terms to rank junior to or senior to the Lower Tier II Subordinated Notes or Upper Tier II Subordinated Notes, as the case may be, and in priority to the claims of shareholders of the Issuer. Each holder of a Subordinated Note unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Subordinated Note. In accordance with the provisions of Condition 3B.4, in the event of negative trends in its performance, the Issuer may suspend payments due under the Upper Tier II Subordinated Notes to the extent necessary to prevent or limit, to any possible extent, the occurrence of losses.

3B.3 To the extent that the Issuer at any time suffers losses which, in accordance with Articles 2446 and 2447 of the Italian Civil Code or otherwise in accordance with the provisions of Italian laws and regulations, would require the Issuer to reduce its capital to below the minimum capital (as provided for by the Bank of Italy from time to time for the issuance or maintenance of the Bank of Italy's authorisation to conduct banking activity (the "**Minimum Capital**") and as determined by the external auditors of the Issuer), the obligations of the Issuer in respect of interest and principal under the

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

3B.3.1 in whole, in the event of bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*, as described in Articles 80 to 94 of the Italian Banking Act), dissolution, liquidation or winding-up of the Issuer or in the event that the Issuer becomes subject to an order for *Liquidazione Coatta Amministrativa* and with effect prior to the commencement of such bankruptcy, dissolution, liquidation or winding up or order for *Liquidazione Coatta Amministrativa* as if such obligations of the Issuer were not so reduced in accordance with this Condition 3B; and

3B.3.2 in whole or in part, from time to time, to the extent that the Issuer, by reason of it having profits, or by reason of it obtaining new capital contributions, or by reason of the occurrence of any other event, would again have at least the Minimum Capital and would not be required, in accordance with articles 2446 and 2447 of the Italian Civil Code or otherwise in accordance with the provisions of Italian laws or regulations, to reduce its capital to below the Minimum Capital.

3B.4 The Issuer is not required to pay interest on the Upper Tier II Subordinated Notes on an Interest Payment Date if (a) no annual dividend has been approved, paid or set aside for payment pursuant to a meeting of the shareholders of the Issuer or paid in respect of any class of shares of the Issuer during the 12 month period ending on the date immediately preceding such Interest Payment Date; or (b) the Board of Directors of the Issuer has announced at the time of publication of any interim accounts of the Issuer published during the six months immediately preceding such Interest Payment Date that, based on such accounts, no sums are available at such time in accordance with Italian law for the payment of interim dividends in accordance with Articles 2433—*bis* of the Italian Civil Code.

Unpaid amounts of interest will constitute arrears of interest which will bear interest at the rate applicable to the relevant Upper Tier II Subordinated Notes. Arrears of interest (together with any additional interest amounts in respect of such arrears of interest) will become due and payable (i) in part, *pari passu* and *pro rata* if and to the extent that the Issuer makes payments of or in respect of amounts of interest on or in relation to any other *pari passu* claims; and (ii) in full on the earliest to occur of (a) the Interest Payment Date falling on or after the date on which a dividend is approved or paid on any class of share of the Issuer; (b) the date for repayment of the Upper Tier II Subordinated Notes; and (c) the date on which the *Liquidazione Coatta Amministrativa* of the Issuer is commenced pursuant to the Italian Banking Act or the date the Issuer becomes subject to a liquidation order. Each holder of a Subordinated Note unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Subordinated Note.

3B.5 Tier III Subordinated Notes (*Prestiti Subordinati di 3 Livello* as defined in Title IV, Chapter III, Section I paragraph 3 of the Bank of Italy's Regulations) (being those Notes that are specified in the relevant Final Terms as being Tier III Subordinated Notes) and the Receipts and Coupons relating to them constitute unsecured subordinated obligations of the Issuer and rank *pari passu* among themselves. Tier III Subordinated Notes shall be subject to the same restrictions provided in respect of

similar indebtedness qualifying as Upper Tier II Subordinated Notes or Lower Tier II Subordinated Notes except that any Tier III Subordinated Notes shall (i) have a different minimum maturity period of at least two years, as specified in the relevant Final Terms, and (ii) be subject to a lock-in clause pursuant to which payments of interest and repayment of principal amount cannot be effected if such payments or repayment would reduce the total value of the Issuer's assets below the minimum regulatory capital as required of Italian laws and regulations all as more particularly described in the relevant Final Terms. Each holder of a Subordinated Note unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Subordinated Note.

4. NEGATIVE PLEDGE

4.1 So long as any Senior Note remains outstanding (as defined in the Fiscal Agency Agreement), the Issuer will not create or have outstanding (and shall ensure that no Subsidiary creates or has outstanding) (other than by operation of law) any mortgage, lien, pledge or other charge (each a "**Security Interest**") upon the whole or any part of its undertakings, assets or revenues, present or future, to secure (i) any External Indebtedness or (ii) any guarantee of any External Indebtedness unless:

4.1.1 the same security at the same time is extended equally and rateably to the Senior Notes; or

4.1.2 such other security as shall be approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of the Senior Noteholders, shall previously have been, or shall forthwith be, extended equally and rateably to the Senior Notes.

As used herein:

"**External Indebtedness**" means any present or future indebtedness for borrowed money of the Issuer and/or any Subsidiary in the form of, or represented by, bonds, notes, debentures or other like instruments (whether or not initially distributed by means of a private placing) which is intended to be, or is capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other established securities market (for which purpose any such indebtedness shall be deemed not to be capable of being quoted, listed or ordinarily dealt in, as aforesaid, if the terms of issue expressly so provide) and which by its terms is payable, or may be required to be paid, in or by reference to a currency either (i) not being euro or (ii) being euro and more than 50 per cent. of the aggregate principal amount whereof is initially distributed by, or with the authorisation of, the Issuer outside the Republic of Italy.

The provisions of this Condition 4 shall not apply to: (A) (i) the transfer of assets of the Issuer (such assets being the "**Segregated Assets**") to companies incorporated under Law No. 130 of 30 April 1999 (as amended, the "**Securitisation Law**") when the transfer of the Segregated Assets is carried out for the purpose of the issuing by the Issuer of "*obbligazioni bancarie garantite*" pursuant to Article 7—*bis* of the Securitisation Law and (ii) guarantees or sureties granted by companies incorporated under the Securitisation Law in respect of obligations of the Issuer arising from "*obbligazioni bancarie garantite*" issued or to be issued by the Issuer pursuant to article 7-bis of the Securitisation Law; and (B) the setting up by the Issuer of a segregation of assets ("**patrimonio destinato**") pursuant to Article 7—*ter* of the Securitisation Law and Article 2447—*bis* of the Italian Civil Code.

5. INTEREST

Interest

- 5.1 Notes may be interest-bearing or non interest-bearing, as specified in the Final Terms. Words and expressions appearing in this Condition 5 and not otherwise defined herein or in the Final Terms shall have the meanings given to them in Condition 5.10.

Interest-bearing Notes

- 5.2 Notes which are specified in the Final Terms as being interest-bearing shall bear interest from their Interest Commencement Date at the Interest Rate payable in arrear on each Interest Payment Date.

Floating Rate Notes

- 5.3 If the Final Terms specifies the Interest Rate applicable to the Notes as being Floating Rate it shall also specify which page (the "**Relevant Screen Page**") on the Reuters Screen or Telerate or any other information vending service shall be applicable. If such a page is so specified, the Interest Rate applicable to the relevant Notes for each Interest Accrual Period shall be determined by the Calculation Agent on the following basis:

5.3.1 the Calculation Agent will determine the offered rate for deposits (or, as the case may require, the arithmetic mean (rounded, if necessary, to the nearest ten thousandth of a percentage point, 0.00005 being rounded upwards) of the rates for deposits) in the relevant currency for a period of the duration of the relevant Interest Accrual Period on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

5.3.2 if, on any Interest Determination Date, no such rate for deposits so appears (or, as the case may be, if fewer than two such rates for deposits so appear) or if the Relevant Screen Page is unavailable, the Calculation Agent will request appropriate quotations and will determine the arithmetic mean (rounded as aforesaid) of the rates at which deposits in the relevant currency are offered by four major banks in the London interbank market, (or if the reference rate is EURIBOR, four major banks in the Eurozone) selected by the Calculation Agent, at approximately the Relevant Time on the Interest Determination Date to prime banks in the London interbank market (or if the reference rate is EURIBOR, prime banks in the Eurozone) for a period of the duration of the relevant Interest Accrual Period and in an amount that is representative for a single transaction in the relevant market at the relevant time;

5.3.3 if, on any Interest Determination Date, only two or three rates are so quoted, the Calculation Agent will determine the arithmetic mean (rounded as aforesaid) of the rates so quoted; or

5.3.4 if fewer than two rates are so quoted, the Calculation Agent will determine the arithmetic mean (rounded as aforesaid) of the rates quoted by four major banks in the Relevant Financial Centre (or, in the case of Notes denominated in euro, in such financial centre or centres as the Calculation Agent may select) selected by the Calculation Agent, at approximately 11.00 a.m. (Relevant Financial Centre time (or local time at such other financial centre or centres as aforesaid)) on the first day of the relevant Interest Accrual Period for loans in the relevant currency to leading European banks for a period of the duration of the relevant Interest Accrual Period and in an amount that is representative for a single transaction in the relevant market at the relevant time,

and the Interest Rate applicable to such Notes during each Interest Accrual Period will be the sum of the relevant margin (the "**Relevant Margin**") specified in the Final Terms and the

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

ISDA Rate Notes

- 5.4 If the Final Terms specifies the Interest Rate applicable to the Notes as being ISDA Determination, each Note shall bear interest as from such date, and at such rate or in such amounts, and such interest will be payable on such dates, as would have applied (regardless of any event of default or termination event or tax event thereunder) if the Issuer had entered into an interest rate swap transaction with the Holder of such Note under the terms of an agreement to which the ISDA Definitions applied and under which:
- 5.4.1 the Fixed Rate Payer, Fixed Amount Payer, Fixed Price Payer, Floating Rate Payer, Floating Amount Payer or, as the case may be, the Floating Price Payer is the Issuer (as specified in the Final Terms);
 - 5.4.2 the Effective Date is the Interest Commencement Date;
 - 5.4.3 the Termination Date is the Maturity Date;
 - 5.4.4 the Calculation Agent is the Calculation Agent as specified in the Final Terms;
 - 5.4.5 the Calculation Periods are the Interest Accrual Periods;
 - 5.4.6 the Period End Dates are the Interest Period End Dates;
 - 5.4.7 the Payment Dates are the Interest Payment Dates;
 - 5.4.8 the Reset Dates are the Interest Period End Dates;
 - 5.4.9 the Calculation Amount is the principal amount of such Note;
 - 5.4.10 the Day Count Fraction applicable to the calculation of any amount is that specified in the Final Terms or, if none is so specified, as may be determined in accordance with the ISDA Definitions;
 - 5.4.11 the Applicable Business Day Convention applicable to any date is that specified in the Final Terms or, if none is so specified, as may be determined in accordance with the ISDA Definitions; and
 - 5.4.12 the other terms are as specified in the Final Terms.

Index-Linked Interest

- 5.5 If the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Final Terms.

Maximum or Minimum Interest Rate

- 5.6 If any Maximum or Minimum Interest Rate is specified in the Final Terms, then the Interest Rate shall in no event be greater than the maximum or be less than the minimum so specified.

Accrual of Interest

- 5.7 Interest shall accrue on the Outstanding Principal Amount of each Note during each Interest Accrual Period from the Interest Commencement Date. Interest will cease to accrue as from the due date for redemption therefor (or, in the case of an Instalment Note, in respect of each instalment of principal, on the due date for payment of the relevant Instalment Amount) unless upon due presentation or surrender thereof (if required), payment in full of the Redemption Amount (as defined in Condition 6.10) or the relevant Instalment Amount is improperly withheld or refused or default is otherwise made in the payment thereof in which case interest shall continue to accrue on the principal amount in respect of which payment has been improperly withheld or refused or default has been made (as well after as before any demand or judgment) at the Interest Rate then applicable or such other rate as may be specified for this purpose in the Final Terms until the date on which, upon due presentation or surrender of the relevant Note (if required), the relevant payment is made or, if earlier (except where presentation or surrender of the relevant Note is not required as a precondition of payment), the seventh day after the date on which, the Fiscal Agent, the Registrar or, as the case may be, the Transfer Agent having received the funds required to make such payment, notice is given to the Holders of the Notes in accordance with Condition 14 that the Fiscal Agent, the Registrar or, as the case may be, the Transfer Agent has received the required funds (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder).

Interest Amount(s), Calculation Agent and Reference Banks

- 5.8 If a Calculation Agent is specified in the Final Terms, the Calculation Agent, as soon as practicable after the Relevant Time on each Interest Determination Date (or such other time on such date as the Calculation Agent may be required to calculate any Redemption Amount or Instalment Amount, obtain any quote or make any determination or calculation) will determine the Interest Rate and calculate the amount(s) of interest payable (the "**Interest Amount(s)**") in respect of each Denomination of the Notes (in the case of Bearer Notes) and the minimum denomination (in the case of Registered Notes) for the relevant Interest Accrual Period, calculate the Redemption Amount or Instalment Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Interest Rate and the Interest Amounts for each Interest Period and the relevant Interest Payment Date or, as the case may be, the Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Registrar or any Transfer Agent (in the case of Registered Notes), the Issuer, the Holders in accordance with Condition 14 and, if the Notes are listed on a stock exchange and the rules of such exchange so require, such exchange as soon as possible after their determination or calculation but in no event later than the fourth London Banking Day thereafter or, if earlier in the case of notification to the stock exchange, the time required by the rules of the relevant stock exchange. The Interest Amounts and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of an Interest Accrual Period or the Interest Period. If the Notes become due and payable under Condition 7, the Interest Rate and the accrued interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Interest Rate or the Interest Amount so calculated need be made. The determination of each Interest Rate, Interest Amount, Redemption Amount and Instalment Amount, the obtaining of each quote and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon the Issuer and the Holders and neither the Calculation Agent nor any Reference Bank shall have any liability to the Holders in respect of any determination, calculation, quote or rate made or provided by it.

The Issuer will procure that there shall at all times be such Reference Banks as may be required for the purpose of determining the Interest Rate applicable to the Notes and a Calculation Agent, if provision is made for one in the Terms and Conditions.

If the Calculation Agent is incapable or unwilling to act as such or if the Calculation Agent fails duly to establish the Interest Rate for any Interest Accrual Period or to calculate the Interest Amounts or any other requirements, the Issuer will appoint the London office of a leading bank engaged in the London interbank market to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

Calculations and Adjustments

- 5.9 The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Interest Rate and the Outstanding Principal Amount by the Day Count Fraction, save that if the Final Terms specifies a specific amount (or formula for calculation) (the “**Fixed Coupon Amount**”) in respect of such period, the amount of interest payable in respect of such Note for such period will be equal to such specified amount (or be calculated in accordance with a formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period will be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

For the purposes of any calculations referred to in these Terms and Conditions (unless otherwise specified in the Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save for Japanese Yen, which will be rounded downwards to the next lower whole Japanese Yen amount. For these purposes “unit” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means 0.01 euro.

Definitions

- 5.10 “**Applicable Business Day Convention**” means the “**Business Day Convention**” which may be specified in the Final Terms as applicable to any date in respect of the Notes. Where the Final Terms specifies “**No Adjustment**” in relation to any date, such date shall not be adjusted in accordance with any Business Day Convention. Where the Final Terms fails either to specify an applicable Business Day Convention or “**No Adjustment**” for the purposes of an Interest Payment Date or an Interest Period End Date, then in the case of Notes which bear interest at a fixed rate, “**No Adjustment**” shall be deemed to have been so specified and in the case of Notes which bear interest at a floating rate, the Modified Following Business Day Convention shall be deemed to have been so specified. Different Business Day Conventions may apply, or be specified in relation to, the Interest Payment Dates, Interest Period End Dates and any other date or dates in respect of any Notes.

“**Banking Day**” means, in respect of any city, any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in that city.

“**Business Day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business and settle payments in the Relevant Financial Centre in respect of the relevant Notes or, in relation to Notes payable in euro, which is a TARGET Business Day.

"Business Day Convention" means a convention for adjusting any date if it would otherwise fall on a day that is not a Business Day and the following Business Day Conventions, where specified in the Final Terms in relation to any date applicable to any Notes, shall have the following meanings:

- (i) **"Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a Business Day; and
- (iv) **"FRN Convention"** or **"Eurodollar Convention"** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the Final Terms after the calendar month in which the preceding such date occurred provided, however, that:
 - (a) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (b) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (c) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred.

"Day Count Fraction" means, in respect of the calculation of an amount for any period of time ("**Calculation Period**"), such day count fraction as may be specified in the Final Terms and:

- (i) if "**Actual/Actual (ISMA)**" is so specified, means:
 - (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year; and
 - (b) where the Calculation Period is longer than one Regular Period, the sum of:
 - (1) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (2) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year;
- (ii) if "**Actual/365**" or "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation

Period falls in a leap year, the sum of (a) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (b) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

- (iii) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if “**30/360**” is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (vi) if “**30E/360**” or “**Eurobond Basis**” is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the date of final maturity is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

“**Interest Accrual Period**” means, in respect of an Interest Period, each successive period beginning on and including an Interest Period End Date and ending on but excluding the next succeeding Interest Period End Date during that Interest Period provided always that the first Interest Accrual Period shall commence on and include the Interest Commencement Date and the final Interest Accrual Period shall end on but exclude the date of final maturity.

“**Interest Commencement Date**” means the date of issue of the Notes (as specified in the relevant Final Terms) or such other date as may be specified as such in the relevant Final Terms.

“**Interest Determination Date**” means, in respect of any Interest Accrual Period, the date falling such number (if any) of Banking Days in such city(ies) as may be specified in the Final Terms prior to the first day of such Interest Accrual Period, or if none is specified:

- (i) in the case of Notes denominated in Pounds Sterling, the first day of such Interest Accrual Period; or
- (ii) in any other case, the date falling two London Banking Days prior to the first day of such Interest Accrual Period.

“**Interest Payment Date**” means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if an Applicable Business Day Convention is specified in the relevant Final Terms, as the same may be adjusted in accordance with the Applicable Business Day Convention or if the Applicable Business Day Convention is the FRN Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Interest Period, each of such dates as may occur in accordance with the FRN Convention at such specified period of calendar months following the date of issue of the Notes (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case).

“**Interest Period**” means each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date

provided always that the first Interest Period shall commence on and include the Interest Commencement Date and the final Interest Period shall end on but exclude the date of final maturity.

"Interest Period End Date" means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if an Applicable Business Day Convention is specified in the relevant Final Terms, as the same may be adjusted in accordance with the Applicable Business Day Convention or, if the Applicable Business Day Convention is the FRN Convention and an interval of a number of calendar months is specified in the relevant Final Terms as the Interest Accrual Period, such dates as may occur in accordance with the FRN Convention at such specified period of calendar months following the Interest Commencement Date (in the case of the first Interest Period End Date) or the previous Interest Period End Date (in any other case) or, if none of the foregoing is specified in the Final Terms, means the date or each of the dates which correspond with the Interest Payment Date(s) in respect of the Notes.

"Interest Rate" means the rate or rates (expressed as a percentage per annum) or amount or amounts (expressed as a price per unit of relevant currency) of interest payable in respect of the Notes specified in, or calculated or determined in accordance with the provisions of, the Final Terms.

"ISDA Definitions" means the 2000 ISDA Definitions (as further amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the Final Terms) as published by the International Swaps and Derivatives Association, Inc.).

"Outstanding Principal Amount" means, in respect of a Note, its principal amount less, in respect of any Instalment Note, any principal amount on which interest shall have ceased to accrue in accordance with Condition 5.6 or, in the case of a Partly Paid Note, the Paid Up Amount of such Note or otherwise as indicated in the relevant Final Terms except that the Paid Up Amount shall be deemed to be nil for Notes which have been forfeited by the Issuer on or after the Forfeiture Date as provided for in Condition 1.7.

"Reference Banks" means such banks as may be specified in the relevant Final Terms as the Reference Banks or, if none are specified, **"Reference Banks"** has the meaning given in the ISDA Definitions, mutatis mutandis.

"Regular Period" means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

“**Relevant Financial Centre**” means such financial centre or centres as may be specified in relation to the relevant currency for the purposes of the definition of “**Business Day**” in the ISDA Definitions, as modified or supplemented in the relevant Final Terms.

“**Relevant Time**” means the time as of which any rate is to be determined as specified in the relevant Final Terms or, if none is specified, at which it is customary to determine such rate.

“**Reuters Screen**” means, when used in connection with a designated page and any designated information, the display page so designated on the Reuter Money 3000 Service (or such other page as may replace that page on that service for the purpose of displaying such information).

“**Subsidiary**” means, in respect of the Issuer at any particular time, any other entity;

- (a) which is controlled by the Issuer in accordance with Article 2359 no. 1 of the Italian Civil Code; and
- (b) the net assets of which represent not less than 5 per cent. of the aggregate net assets of the Issuer and the relevant entity,

and “**Subsidiaries**” shall have a corresponding meaning;

“**TARGET Business Day**” means a day, other than a Saturday or a Sunday, on which the TARGET System is operating.

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System.

“**Telerate**” means, when used in connection with any designated page and any designated information, the display page so designated on the Telerate Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying such information).

Non-Interest Bearing Notes

- 5.11 If any Redemption Amount (as defined in Condition 6.10) or Instalment Amount in respect of any Note which is non-interest bearing is not paid when due, interest shall accrue on the overdue amount at a rate per annum (expressed as a percentage per annum) equal to the Amortisation Yield defined in, or determined in accordance with the provisions of, the relevant Final Terms or at such other rate as may be specified for this purpose in the relevant Final Terms until the date on which, upon due presentation or surrender of the relevant Note or Certificate (if required), the relevant payment is made or, if earlier (except where presentation or surrender of the relevant Note or Certificate is not required as a precondition of payment), the seventh day after the date on which, the Fiscal Agent or the Registrar, as the case may be, having received the funds required to make such payment, notice is given to the Holders of the Notes in accordance with Condition 14 that the Fiscal Agent or the Registrar, as the case may be, (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder). The amount of any such interest shall be calculated in accordance with the provisions of Condition 5.9 as if the Interest Rate was the Amortisation Yield, the Outstanding Principal Amount was the overdue sum and the Day Count Fraction was as specified for this purpose in the relevant Final Terms or, if not so specified, 30E/360 (as defined in Condition 5.10).

6. REDEMPTION AND PURCHASE

Redemption at Maturity

- 6.1 Unless previously redeemed, or purchased and cancelled, each Note shall be redeemed at its maturity redemption amount (the “**Maturity Redemption Amount**”) (which shall be its

Outstanding Principal Amount or such other redemption amount as may be specified in or determined in accordance with the Final Terms) (or, in the case of Instalment Notes, in such number of instalments and in such amounts ("**Instalment Amounts**") as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms) on the date or dates (or, in the case of Notes which bear interest at a floating rate of interest, on the date or dates upon which interest is payable) specified in the relevant Final Terms. The redemption of Upper Tier II Subordinated Notes shall always be subject to the prior approval of the Bank of Italy, such approval being dependent on the Issuer maintaining the minimum capital requirements (*patrimonio di vigilanza*) as prescribed in Title IV, Chapter I of the Bank of Italy's Regulations immediately following redemption of the Upper Tier II Subordinated Notes. If such approval is not given on or prior to the redemption date, the Issuer will re-apply to the Bank of Italy for its consent to such redemption forthwith upon its having again, by whatever means, such required minimum capital. The Issuer will use its reasonable endeavours to maintain such required minimum capital and to obtain such approval.

Early Redemption for Taxation Reasons

- 6.2 If, in relation to any Series of Notes, (i) as a result of any change in the laws, regulations or rulings of the Republic of Italy or of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws, regulations or rulings which becomes effective on or after the date of issue of such Notes or any other date specified in the relevant Final Terms, the Issuer would be required to pay additional amounts as provided in Condition 8, (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it and (iii) such circumstances are evidenced by the delivery by the Issuer to the Fiscal Agent of a certificate signed by two authorised signatories of the Issuer stating that the said circumstances prevail and describing the facts leading thereto and an opinion of independent legal advisers of recognised standing to the effect that such circumstances prevail, the Issuer may, at its option (but, in the case of Subordinated Notes, subject to consent thereto having been obtained from the Bank of Italy) and having given no less than thirty nor more than sixty days' notice (ending, in the case of Notes which bear interest at a floating or index-linked rate, on a day upon which interest is payable) to the Holders of the Notes in accordance with Condition 14 (which notice shall be irrevocable), redeem all (but not some only) of the outstanding Notes comprising the relevant Series at their early tax redemption amount (the "**Early Redemption Amount (Tax)**") (which shall be their Outstanding Principal Amount or, in the case of Notes which are non-interest bearing, their Amortised Face Amount (as defined in Condition 6.11) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms), together with accrued interest (if any) thereon; provided, however, that no such notice of redemption may be given earlier than 90 days (or, in the case of Notes which bear interest at a floating or index-linked rate a number of days which is equal to the aggregate of the number of days falling within the then current interest period applicable to the Notes plus 60 days) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

The Issuer may not exercise such option in respect of any Note which is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Note under Condition 6.6.

In the event of early redemption in accordance with this Condition 6, the regulated market of the Luxembourg Stock Exchange will be notified of such early redemption.

Optional Early Redemption (Call)

- 6.3 If this Condition 6.3 is specified in the relevant Final Terms-as being applicable, then the Issuer may, subject in the case of Subordinated Notes to the prior consent of the Bank of

Italy, having given the appropriate notice and subject to such conditions as may be specified in the relevant Final Terms, redeem all (but not, unless and to the extent that the Final Terms specifies otherwise, some only) of the Notes of the relevant Series at their call early redemption amount (the “**Early Redemption Amount (Call)**”) (which shall be their Outstanding Principal Amount or, in the case of Notes which are non-interest bearing, their Amortised Face Amount (as defined in Condition 6.11) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms), together with accrued interest (if any) thereon on the date specified in such notice.

The Issuer may not exercise such option in respect of any Note which is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Note under Condition 6.6.

6.4 The appropriate notice referred to in Condition 6.3 is a notice given by the Issuer to the Holders of the Notes of the relevant Series in accordance with Condition 14, which notice shall be irrevocable and shall specify:

6.4.1 the Series of Notes subject to redemption;

6.4.2 whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of and (except in the case of a Temporary Global Note or Permanent Global Note) the serial numbers of the Notes of the relevant Series which are to be redeemed;

6.4.3 the due date for such redemption, which shall be not less than thirty days nor more than sixty days after the date on which such notice is given and which shall be such date or the next of such dates (“**Call Option Date(s)**”) or a day falling within such period (“**Call Option Period**”), as may be specified in the relevant Final Terms and which is, in the case of Notes which bear interest at a floating rate, a date upon which interest is payable; and

6.4.4 the Early Redemption Amount (Call) at which such Notes are to be redeemed.

Partial Redemption

6.5 If the Notes of a Series are to be redeemed in part only on any date in accordance with Condition 6.3:

6.5.1 in the case of Bearer Notes, the Notes to be redeemed shall be drawn by lot in such European city as the Fiscal Agent may specify, or identified in such other manner or in such other place as the Fiscal Agent may approve and deem appropriate and fair; and

6.5.2 in the case of Registered Notes, the Notes shall be redeemed (so far as may be practicable) *pro rata* to their principal amounts, provided always that the amount redeemed in respect of each Note shall be equal to the minimum denomination thereof or an integral multiple thereof,

subject always to compliance with all applicable laws and the requirements of any stock exchange on which the relevant Notes may be listed.

In the case of the redemption of part only of a Registered Note, a new Registered Note in respect of the unredeemed balance shall be issued in accordance with Conditions 2.4 to 2.8 which shall apply as in the case of a transfer of Registered Notes as if such new Registered Note were in respect of the untransferred balance.

Optional Early Redemption (Put)

6.6 Except with respect to the Subordinated Notes to which this Clause 6.6 shall not apply, if this Condition 6.6 is specified in the relevant Final Terms as being applicable, then the Issuer

shall, upon the exercise of the relevant option by the Holder of any Note of the relevant Series, redeem such Note on the date specified in the relevant Put Notice (as defined below) at its put early redemption amount (the **“Early Redemption Amount (Put)”**) (which shall be its Outstanding Principal Amount or, if such Note is non-interest bearing, its Amortised Face Amount (as defined in Condition 6.11) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms), together with accrued interest (if any) thereon. In order to exercise such option, the Holder must, not less than forty-five days before the date on which such redemption is required to be made as specified in the Put Notice (which date shall be such date or the next of the dates (**“Put Date(s)”**) or a day falling within such period (**“Put Period”**) as may be specified in the Final Terms), deposit the relevant Note or Certificate (together, in the case of an interest-bearing Note in bearer form, with all unmatured Coupons appertaining thereto other than any Coupon maturing on or before the date of redemption (failing which the provisions of Condition 9.6 apply)) during normal business hours at the specified office of, in the case of a Bearer Note, any Paying Agent or, in the case of a Registered Note, the Registrar or any Transfer Agent together with a duly completed early redemption notice (**“Put Notice”**) in the form which is available from the specified office of any of the Paying Agents, the Registrar or, as the case may be, any Transfer Agent specifying, in the case of a Registered Note, the aggregate principal amount in respect of which such option is exercised (which must be the minimum denomination specified in the Final Terms or an integral multiple thereof). No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Fiscal Agency Agreement).

In the case of the redemption of part only of a Registered Note, a new Certificate in respect of the unredeemed balance shall be issued in accordance with Conditions 2.4 to 2.7 which shall apply as in the case of a transfer of Registered Notes as if such new Certificate were in respect of the untransferred balance.

The Holder of a Note may not exercise such option in respect of any Note which is the subject of an exercise by the Issuer of its option to redeem such Note under either Condition 6.2 or 6.3.

Purchase of Notes

- 6.7 The Issuer or any of its Subsidiaries may (but, in the case of more than 10 per cent. of the principal amount of Subordinated Notes, subject to consent thereto having been obtained from the Bank of Italy) at any time purchase Notes in the open market or otherwise and at any price provided that all unmatured Receipts and Coupons appertaining thereto are purchased therewith. If purchases are made by tender, tenders must be available to all Holders of Notes alike.

Cancellation of Redeemed and Purchased Notes

- 6.8 All unmatured Notes and Coupons and unexchanged Talons redeemed or purchased, otherwise than in the ordinary course of business of dealing in securities or as a nominee in accordance with this Condition 6 will be cancelled forthwith and may not be reissued or resold.

Further Provisions applicable to Redemption Amount and Instalment Amounts

- 6.9 The provisions of Condition 5.7 and the last paragraph of Condition 5.8 shall apply to any determination or calculation of the Redemption Amount or any Instalment Amount required by the Final Terms to be made by the Calculation Agent (as defined in Condition 5.9).
- 6.10 References herein to **“Redemption Amount”** shall mean, as appropriate, the Maturity Redemption Amount, the final Instalment Amount, Early Redemption Amount (Tax), Early Redemption Amount (Call), Early Redemption Amount (Put) and Early Termination Amount

or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the Final Terms.

6.11 In the case of any Note which is non-interest bearing, the “**Amortised Face Amount**” shall be an amount equal to the sum of:

6.11.1 the Issue Price specified in the relevant Final Terms; and

6.11.2 the product of the Amortisation Yield (compounded annually) being applied to the Issue Price from (and including) the Issue Date specified in the relevant Final Terms to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of the Day Count Fraction (as defined in Condition 5.9) specified in the relevant Final Terms for the purposes of this Condition 6.11.

6.12 In the case of any Note which is non-interest bearing, if any Redemption Amount (other than the Maturity Redemption Amount) is improperly withheld or refused or default is otherwise made in the payment thereof, the Amortised Face Amount shall be calculated as provided in Condition 6.11 but as if references in subparagraph (ii) to the date fixed for redemption or the date upon which such Note becomes due and repayable were replaced by references to the earlier of:

6.12.1 the date on which, upon due presentation or surrender of the relevant Note or Certificate (if required), the relevant payment is made; and

6.12.2 (except where presentation or surrender of the relevant Note or Certificate is not required as a precondition of payment), the seventh day after the date on which, the Fiscal Agent or the Registrar, as the case may be, having received the funds required to make such payment, notice is given to the Holders of the Notes in accordance with Condition 14 of that circumstance (except to the extent that there is a failure in the subsequent payment thereof to the relevant Holder).

7. EVENTS OF DEFAULT

7.1 *In the case of Subordinated Notes:*

7.1.1 This Condition 7.1 applies only in respect of Subordinated Notes and references to Holders of Notes, Receipts or Coupons in this Condition 7.1 shall be construed accordingly.

7.1.2 If the Issuer is wound-up or dissolved (otherwise than for purposes of any amalgamation, merger or reconstruction) the Notes are, and they shall immediately become due and repayable at their Redemption Amount together with, if appropriate, accrued interest thereon.

7.1.3 No remedy against the Issuer other than as specifically provided by this Condition 7.1 shall be available to Holders of the Notes, Receipts or Coupons whether for the recovery of amounts owing in respect of the Notes or in respect of any breach by the Issuer of any of its obligations in relation to the Notes or otherwise.

7.2 *In the case of Senior Notes:*

The following events or circumstances as modified by, and/or such other events as may be specified in, the relevant Final Terms (each an “**Event of Default**”) shall be events of default in relation to any Senior Notes of any Series, namely:

- 7.2.1 Non-Payment: the Issuer fails to pay the principal of or any interest on any of the Notes when due and, in the case of interest, such failure continues for a period of five TARGET Business Days; or
- 7.2.2 Breach of Other Obligations: the Issuer does not perform or comply with any one or more of its other obligations in the Notes or the Fiscal Agency Agreement which default is incapable of remedy within 30 days after written notice requiring such default to be remedied has been delivered to the Issuer at the specified office of the Fiscal Agent by the relevant Noteholder; or
- 7.2.3 Cross-Default: (1) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised, becomes due and payable or is capable of becoming due and payable prior to its stated maturity otherwise than at the option of the Issuer, or (2) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (3) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph 7.2.3 have occurred equals or exceeds euro 20,000,000 or its equivalent in another currency as determined by the Fiscal Agent; or
- 7.2.4 Enforcement Proceedings: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or any material part of the property, assets or revenues of the Issuer or any of its Subsidiaries and is not discharged or stayed within 30 days; or
- 7.2.5 Security Enforced: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Subsidiaries becomes enforceable over any material part of the property, assets or revenues of the Issuer or such Subsidiary and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and in the case of seizure before judgment or interlocutory process, is not discharged or revoked within 10 days; or
- 7.2.6 Insolvency: the Issuer or any of its Subsidiaries is (or is, or could be, adjudicated by a court of competent jurisdiction to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Subsidiaries; or
- 7.2.7 Winding-up: an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Subsidiaries, or the Issuer or any of its Subsidiaries shall apply or petition for a winding-up or administration order in respect of itself or ceases, or through an official action of its board of Directors threatens to cease, to carry on all or a substantial part of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Noteholders or (ii) in the case of a Subsidiary, whereby the undertaking and assets of the Subsidiary are transferred to or otherwise vested in the Issuer or another of its subsidiaries (which means, in respect of the Issuer at any particular time, any other entity which is controlled by the Issuer in accordance with article 2359 no.1 of the Italian Civil Code); or

7.2.8 Analogous Events: any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs.

If any Event of Default shall occur in relation to any Series of Notes, any Holder of a Note of the relevant Series may, by written notice to the Issuer, at the specified office of the Fiscal Agent or, in the case of Registered Notes, at the specified office of the Registrar, declare that such Note and (if the Note is interest-bearing) all interest then accrued on such Note shall be forthwith due and payable, whereupon the same shall become immediately due and payable at its early termination amount (the "**Early Termination Amount**") (which shall be its Outstanding Principal Amount or, if such Note is non-interest bearing, its Amortised Face Amount (as defined in Condition 6.11) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms), together with all interest (if any) accrued thereon without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Notes to the contrary notwithstanding, unless, prior thereto, all Events of Default in respect of the Notes of the relevant Series shall have been cured.

8. TAXATION

8.1 All payments of principal and interest in respect of the Notes, the Receipts and the Coupons (if any) by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Republic of Italy or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders (if relevant) of such amounts as would have been received by them had no such withholding or deduction been required. The requirement to pay such additional amounts shall not apply:

8.1.1 in respect of any Note, Receipt or Coupon presented for payment:

- (a) in the Republic of Italy; or
- (b) by or on behalf of a Noteholder or Couponholder who is:
 - (i) entitled to avoid such deduction or withholding by making a declaration of non-residence or other similar claim for exemption; or
 - (ii) liable to such taxes or duties by reason of his having some connection with the Republic of Italy, other than the mere holding of the Note, Receipt or Coupon; or
- (c) more than 30 days after the Relevant Date except to the extent that the Holder thereof would have been entitled to such additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Business Day; or
- (d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings or any law implementing or complying with, or introduced in order to conform to such Directive; or
- (e) presented for payment by or on behalf of a Noteholder or Couponholder who would have been able to avoid such withholding or deduction by presenting the

relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union; or

- 8.1.2 in relation to any payment or deduction of any interest, principal or other proceeds of any Note, Receipt or Coupon on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1 April 1996, as amended; or
- 8.1.3 in respect of any Note having an original maturity of less than eighteen (18) months where such withholding or deduction is required pursuant to Italian Legislative Decree No. 600 of 29 September 1973, as amended; or
- 8.1.4 in respect of Notes that qualify as atypical securities where such withholding or deduction is required pursuant to Law Decree No. 512 of 30 September 1983, as amended.
- 8.2 As used in these Conditions, “**Relevant Date**” in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) “**principal**” shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 7 or any amendment or supplement to it, (ii) “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) “**principal**” and/or “**interest**” shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking in addition to or in substitution for it under the Fiscal Agency Agreement.

9. PAYMENTS

9A. *Payments — Bearer Notes*

9A.1 This Condition 9 is applicable in relation to Notes in bearer form.

9A.2 Payment of amounts (other than interest) due in respect of Bearer Notes will be made against presentation and (save in the case of partial payment or payment of an Instalment Amount (other than the final Instalment Amount)) surrender of the relevant Bearer Notes at the specified office of any of the Paying Agents.

Payment of Instalment Amounts (other than the final Instalment Amount) in respect of an Instalment Note will be made against presentation of the Note together with (where applicable) the relevant Receipt and surrender of such Receipt.

The Receipts are not and shall not in any circumstances be deemed to be documents of title and if separated from the Note to which they relate will not represent any obligation of the Issuer. Accordingly, the presentation of a Note without the relative Receipt or the presentation of a Receipt without the Note to which it appertains shall not entitle the Holder to any payment in respect of the relevant Instalment Amount.

9A.3 Payment of amounts in respect of interest on Bearer Notes will be made:

9A.3.1 in the case of Notes without Coupons attached thereto at the time of their initial delivery, against presentation of the relevant Notes at the specified office of any of the Paying Agents outside (unless Condition 9A.4 applies) the United States; and

- 9A.3.2 in the case of Notes delivered with Coupons attached thereto at the time of their initial delivery, against surrender of the relevant Coupons or, in the case of interest due otherwise than on a scheduled date for the payment of interest, against presentation of the relevant Notes, in either case at the specified office of any of the Paying Agents outside (unless Condition 9A.4 applies) the United States.
- 9A.4 Payments of amounts due in respect of interest on the Notes and exchanges of Talons for Coupon sheets in accordance with Condition 9A.7 will not be made at the specified office of any Paying Agent in the United States (as defined in the United States Internal Revenue Code of 1986 and regulations thereunder) unless (a) payment in full of amounts due in respect of interest on such Notes when due or, as the case may be, the exchange of Talons at all the specified offices of the Paying Agents outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions and (b) such payment or exchange is permitted by applicable United States law. If paragraphs (a) and (b) of the previous sentence apply, the Issuer shall forthwith appoint a further Paying Agent with a specified office in New York City.
- 9A.5 If the due date for payment of any amount due in respect of any Note is not a Relevant Financial Centre Day and a Local Banking Day (each as defined in Condition 9C.3), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day, (or as otherwise specified in the Final Terms) and from such day and thereafter will be entitled to receive payment by cheque on any Local Banking Day, and will be entitled to payment by transfer to a designated account on any day which is a Local Banking Day, a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such delay or adjustment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 5.6 or, if appropriate, Condition 5.10.
- 9A.6 Each Note initially delivered with Coupons, Talons or Receipts attached thereto should be presented and, save in the case of partial payment of the Redemption Amount, surrendered for final redemption together with all unmatured Receipts, Coupons and Talons relating thereto, failing which:
- 9A.6.1 if the Final Terms specifies that this paragraph 9A.6.1 of Condition 9A.6 is applicable (and, in the absence of specification, this paragraph 9A.6.1 shall apply to Notes which bear interest at a fixed rate or rates or in fixed amounts) and subject as hereinafter provided, the amount of any missing unmatured Coupons (or, in the case of a payment not being made in full, that portion of the amount of such missing Coupon which the Redemption Amount paid bears to the total Redemption Amount due) (excluding, for this purpose, but without prejudice to paragraph 9A.6.3 below, Talons) will be deducted from the amount otherwise payable on such final redemption, the amount so deducted being payable against surrender of the relevant Coupon at the specified office of any of the Paying Agents at any time within ten years of the Relevant Date applicable to payment of such Redemption Amount;
- 9A.6.2 if the Final Terms specifies that this paragraph 9A.6.2 of Condition 9A.6 is applicable (and, in the absence of specification, this paragraph 9A.6.2 shall apply to Notes which bear interest at a floating rate or rates or in variable amounts) all unmatured Coupons (excluding, for this purpose, but without prejudice to paragraph 9A.6.3 below, Talons) relating to such Notes (whether

or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them;

9A.6.3 in the case of Notes initially delivered with Talons attached thereto, all unmatured Talons (whether or not surrendered therewith) shall become void and no exchange for Coupons shall be made thereafter in respect of them; and

9A.6.4 in the case of Notes initially delivered with Receipts attached thereto, all Receipts relating to such Notes in respect of a payment of an Instalment Amount which (but for such redemption) would have fallen due on a date after such due date for redemption (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them.

The provisions of paragraph 9A.6.1 of this Condition 9A.6 notwithstanding, if any Notes should be issued with a maturity date and an Interest Rate or Rates such that, on the presentation for payment of any such Note without any unmatured Coupons attached thereto or surrendered therewith, the amount required by paragraph (9A.6.1) to be deducted would be greater than the Redemption Amount otherwise due for payment, then, upon the due date for redemption of any such Note, such unmatured Coupons (whether or not attached) shall become void (and no payment shall be made in respect thereof) as shall be required so that, upon application of the provisions of paragraph (9A.6.1) in respect of such Coupons as have not so become void, the amount required by paragraph (9A.6.1) to be deducted would not be greater than the Redemption Amount otherwise due for payment. Where the application of the foregoing sentence requires some but not all of the unmatured Coupons relating to a Note to become void, the relevant Paying Agent shall determine which unmatured Coupons are to become void, and shall select for such purpose Coupons maturing on later dates in preference to Coupons maturing on earlier dates.

9A.7 In relation to Notes initially delivered with Talons attached thereto, on or after the due date for the payment of interest on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent outside (unless Condition 9A.4 applies) the United States in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 10 below. Each Talon shall, for the purpose of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

9B. *Payments — Registered Notes*

9B.1 This Condition 9B is applicable in relation to Notes in registered form.

9B.2 Payment of the Redemption Amount (together with accrued interest) due in respect of Registered Notes will be made against presentation and, save in the case of partial payment of the Redemption Amount, surrender of the relevant Certificate at the specified office of the Registrar or any Transfer Agent. If the due date for payment of the Redemption Amount of any Registered Note is not a Relevant Financial Centre Day (as defined in Condition 9C.3), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day, and from such day and thereafter will be entitled to receive payment by cheque on any Local Banking Day, and, will be entitled to payment by transfer to a designated account on any day which is a Local Banking Day, a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms

and Conditions in which event interest shall continue to accrue as provided in Condition 5.6 or, as appropriate, Condition 5.10.

9B.3 Payment of amounts (whether principal, interest or otherwise) due (other than the Redemption Amount) in respect of Registered Notes will be paid to the Holder thereof (or, in the case of joint Holders, the first-named) as appearing in the Register as at opening of business (local time in the place of the specified office of the Registrar) on the fifteenth Relevant Banking Day (as defined in Condition 2.6) before the due date for such payment (the “**Record Date**”).

9B.4 Notwithstanding the provisions of Condition 9C.2, payment of amounts (whether principal, interest or otherwise) due (other than the Redemption Amount) in respect of Registered Notes will be made in the currency in which such amount is due by cheque and posted to the address (as recorded in the Register of the Holder thereof) (or, in the case of joint Holders, the first-named) on the Relevant Banking Day (as defined in Condition 2.6) not later than the relevant due date for payment unless prior to the relevant Record Date the Holder thereof (or, in the case of joint Holders, the first-named) has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated account denominated in the relevant currency in which case payment shall be made on the relevant due date for payment by transfer to such account. In the case of payment by transfer to an account, if the due date for any such payment is not a Relevant Financial Centre Day, then the Holder thereof will not be entitled to payment thereof until the first day thereafter which is a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 5.6 or, as appropriate, Condition 5.10.

9C. *Payments — General Provisions*

9C.1 Save as otherwise specified in these Terms and Conditions, this Condition 9C. is applicable in relation to Notes whether in bearer or in registered form.

9C.2 Payments of amounts due (whether principal, interest or otherwise) in respect of Notes will be made in the currency in which such amount is due (a) by cheque or (b) at the option of the payee, by transfer to an account denominated in the relevant currency specified by the payee. Payments will, without prejudice to the provisions of Condition 8, be subject in all cases to any applicable fiscal or other laws and regulations.

9C.3 For the purposes of these Terms and Conditions:

9C.3.1 “**Relevant Financial Centre Day**” means, in the case of any currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the Relevant Financial Centre and in any other Relevant Financial Centre specified in the Final Terms or in the case of payment in euro, a day which is a TARGET Business Day; and

9C.3.2 “**Local Banking Day**” means a day (other than a Saturday or Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place of presentation of the relevant Note or, as the case may be, Coupon.

9C.4 No commissions or expenses shall be charged to the holders of Notes or Coupons in respect of such payments.

10. PRESCRIPTION

- 10.1 Claims against the Issuer for payment of principal and interest in respect of Notes will be prescribed and become void unless made, in the case of principal, within ten years or, in the case of interest, five years after the Relevant Date (as defined in Condition 8.2) for payment thereof.

In relation to Definitive Notes initially delivered with Talons attached thereto, there shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue pursuant to Condition 9A.6 or the due date for the payment of which would fall after the due date for the redemption of the relevant Note or which would be void pursuant to this Condition 10 or any Talon the maturity date of which would fall after the due date for redemption of the relevant Note.

11. THE PAYING AGENTS, THE REGISTRAR, THE TRANSFER AGENTS AND THE CALCULATION AGENT

- 11.1 The initial Paying Agents, Registrar and Transfer Agents and their respective initial specified offices are specified below. The Calculation Agent in respect of any Notes shall be specified in the Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Fiscal Agent), the Registrar, any Transfer Agent or the Calculation Agent and to appoint additional or other Paying Agents, another Registrar, additional or other Transfer Agents or another Calculation Agent; provided that it will at all times maintain (i) a Fiscal Agent, (ii) in the case of Registered Notes, a Registrar, (iii) a Paying Agent (or in the case of registered Notes, a Transfer Agent) with a specified office in a continental European city, (iv) so long as the Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or any other stock exchange, a Paying Agent and a Registrar or Transfer Agent each with a specified office in Luxembourg and/or in such other place as may be required by the rules of such other stock exchange, (v) in the circumstances described in Condition 9A.4, a Paying Agent with a specified office in New York City, (vi) a Paying Agent with a specified office in a European Union Member State that will not be obliged to withhold or deduct tax, and (vii) a Calculation Agent where required by the Terms and Conditions applicable to any Notes (in the case of (i), (ii), (iii), (vi) and (vii) with a specified office located in such place (if any) as may be required by the Terms and Conditions) and it will at no time maintain a Registrar having its specified office in the Republic of Italy. The Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent reserve the right at any time to change their respective specified offices to some other specified office in the same city. Notice of all changes in the identities or specified offices of any Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent will be given promptly by the Issuer to the Holders in accordance with Condition 14.

The Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and, save as provided in the Fiscal Agency Agreement or any other agreement entered into with respect to its appointment, do not assume any obligations towards or relationship of agency or trust for any Holder of any Note, Receipt or Coupon and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon it in the Fiscal Agency Agreement or other agreement entered into with respect to its appointment or incidental thereto.

12. REPLACEMENT OF NOTES, CERTIFICATES, RECEIPTS AND COUPONS

If any Note, Certificate, Receipt or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent or any Paying Agents (in the case of Bearer Notes and Coupons) or of the Registrar or any Transfer Agent (in the case of Registered Notes) (each a "Replacement Agent"), subject to all applicable laws, regulations and the requirements of any stock exchange on which the Notes are listed, upon payment by the claimant of all expenses

incurred in connection with such replacement and upon such terms as to evidence, security, indemnity and otherwise as the Issuer and the Replacement Agent may require. Mutilated or defaced Notes, Certificates, Receipts and Coupons must be surrendered before replacements will be delivered therefor.

13. MEETINGS OF HOLDERS AND MODIFICATION

The Fiscal Agency Agreement contains provisions (which shall have effect as if incorporated herein) for convening meetings of the Holders of Notes of any Series to consider any matter affecting their interest, including (without limitation) the modification by Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of these Terms and Conditions and the Deed of Covenant insofar as the same may apply to such Notes. An Extraordinary Resolution passed at any meeting of the Holders of Notes of any Series will be binding on all Holders of the Notes of such Series, whether or not they are present at the meeting, and on all Holders of Coupons relating to Notes of such Series.

The Issuer may, with the consent of the Fiscal Agent or, in the case of Registered Notes, the Registrar, but without the consent of the Holders of the Notes of any Series or Coupons, amend these Terms and Conditions and the Deed of Covenant insofar as they may apply to such Notes to correct a manifest error. Subject as aforesaid, no other modification may be made to these Terms and Conditions or the Deed of Covenant except with the sanction of an Extraordinary Resolution.

14. NOTICES

To Holders of Bearer Notes

14.1 Notices to Holders of Bearer Notes will, save where another means of effective communication has been specified herein or in the relevant Final Terms, be deemed to be validly given if (i) published in a leading daily newspaper having general circulation in London (which is expected to be the *Financial Times*) and (ii) in the case of any Notes which are admitted to trading on the regulated market of the Luxembourg Stock Exchange (so long as such Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange and the rules of that exchange so require), in a leading newspaper having general circulation in Luxembourg (which is expected to be the *d'Wort*) or (in the case of (i) or (ii)), if such publication is not practicable, if published in a leading English language daily newspaper having general circulation in Europe. The Issuer shall also ensure that notices are duly published in compliance with the requirements of the rules of each stock exchange on which its Notes are listed. Any notice so given will be deemed to have been validly given on the date of first such publication (or, if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to Holders of Bearer Notes in accordance with this Condition.

To Holders of Registered Notes

14.2 Notices to Holders of Registered Notes will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Holders, to the first-named in the Register) at their respective addresses as recorded in the Register, and will be deemed to have been validly given on the fourth weekday after the date of such mailing or, if posted from another country, on the fifth such day. With respect to Registered Notes admitted to trading on the regulated market of the Luxembourg Stock Exchange, any notices to Holders must also be published in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the *d'Wort*) and, in addition to the foregoing, will be deemed validly given only after the date of such publication.

15. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Holders of any Notes or Coupons, create and issue further instruments, bonds or debentures having the same terms and conditions as such Notes in all respects (or in all respects except for the first payment of interest, if any, on them and/or the denomination thereof) so as to form a single series with the Notes of any particular Series.

16. CURRENCY INDEMNITY

The currency in which the Notes are denominated or, if different, payable, as specified in the Final Terms (the “**Contractual Currency**”), is the sole currency of account and payment for all sums payable by the Issuer in respect of the Notes, including damages. Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Holder of a Note or Coupon in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the Contractual Currency which such Holder is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount is less than the amount in the Contractual Currency expressed to be due to any Holder of a Note or Coupon in respect of such Note or Coupon the Issuer shall indemnify such Holder against any loss sustained by such Holder as a result. In any event, the Issuer shall indemnify each such Holder against any cost of making such purchase which is reasonably incurred. These indemnities constitute a separate and independent obligation from the Issuer’s other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder of a Note or Coupon and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Notes or any judgment or order. Any such loss aforesaid shall be deemed to constitute a loss suffered by the relevant Holder of a Note or Coupon and no proof or evidence of any actual loss will be required by the Issuer.

17. WAIVER AND REMEDIES

No failure to exercise, and no delay in exercising, on the part of the Holder of any Note, any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right. Rights hereunder shall be in addition to all other rights provided by law. No notice or demand given in any case shall constitute a waiver of rights to take other action in the same, similar or other instances without such notice or demand.

18. LAW AND JURISDICTION

- 18.1 The Notes, the Fiscal Agency Agreement and the Deed of Covenant are governed by, and shall be construed in accordance with, English law, except for Condition 3B which shall be governed by, and shall be construed in accordance with, Italian law.
- 18.2 The Issuer irrevocably agrees for the benefit of the Holders of the Notes that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Notes (respectively, “**Proceedings**” and “**Disputes**”) and, for such purposes, irrevocably submits to the jurisdiction of such courts.
- 18.3 The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes and agrees not to claim that any such court is not a convenient or appropriate forum.

- 18.4 The Issuer agrees that the process by which any proceedings in England are begun may be served on it by being delivered to Banco Popolare di Verona e Novara s.c. a r.l. London Branch, Bucklersbury House, Walbrook, London EC4N 8EL, its registered office for the time being or any address of the Issuer in Great Britain on which process may be served on it in accordance with Part XXIII of the Companies Act 1985 (as modified or re-enacted from time to time). If the irrevocable appointment by the Issuer of the person mentioned in this Condition 18.4 ceases to be effective, the Issuer shall forthwith irrevocably appoint a further person in England to accept service of process on its behalf in England and notify the name and address of such person to the Fiscal Agent and, failing such appointment within fifteen days, any Holder of a Note shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent. Nothing contained herein shall affect the right of any Holder of a Note to serve process in any other manner permitted by law.
- 18.5 The submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of the Holders of the Notes or any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by applicable law.

PROVISIONS RELATING TO THE NOTES WHILST IN GLOBAL FORM

(A) *Relationship of Accountholders with Clearing Systems*

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system as the holder of a Note represented by a Global Note (which expression includes a Temporary Global Note and a Permanent Global Note) or a Global Note Certificate must look solely to Euroclear, Clearstream, Luxembourg or such other clearing system (as the case may be) for such person's share of each payment made by the Issuer to the bearer of such Global Note (or the registered holder of the Global Note Certificate, as the case may be), and in relation to all other rights arising under the Global Note or the Global Note Certificate subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Note Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note (or the registered holder of the Global Note Certificate, as the case may be), in respect of each amount so paid. References in these provisions relating to the Notes in global form to "**holder**" or "**accountholder**" are to those persons shown in the records of the relevant clearing system as a holder of a Note.

(B) *Form and Exchange — Bearer Global Notes*

- (1) *TEFRA D* or *TEFRA C*: The Final Terms shall specify whether U.S. Treasury Regulation § 1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") or U.S. Treasury Regulation § 1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") shall apply. Each Tranche of Bearer Notes is represented upon issue by a temporary global Note (a "**Temporary Global Note**"), unless the Final Terms specifies otherwise and the *TEFRA C Rules* apply.

Where the Final Terms applicable to a Tranche of Bearer Notes specifies that the *TEFRA C Rules* apply, such Tranche is (unless otherwise specified in the Final Terms) represented upon issue by a Permanent Global Note.

Interests in a Temporary Global Note may be exchanged for:

- (i) interests in a permanent global Note (a "**Permanent Global Note**"); or

- (ii) if so specified in the relevant Final Terms, definitive Notes in bearer form (“**Definitive Notes**”) and/or (if so specified in the relevant Final Terms) Registered Notes.

Exchanges of interests in a Temporary Global Note for Definitive Notes or, as the case may be, a Permanent Global Note will be made only on or after the Exchange Date (as specified in the relevant Final Terms) and (unless the relevant Final Terms specifies that the TEFRA C Rules are applicable to the Notes) provided certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in substantially the form set out in the Temporary Global Note or in such other form as is customarily issued in such circumstances by the relevant clearing system) has been received. An exchange for Registered Notes will be made at any time or from such date as may be specified in the relevant Final Terms, in each case, without any requirement for certification.

- (2) Limitation on entitlement under a Temporary Global Note after Exchange Date: Holders of interests in any Temporary Global Note shall not (unless, upon due presentation of such Temporary Global Note for exchange (in whole but not in part only) for a Permanent Global Note or for delivery of Definitive Notes and/or Registered Notes, such exchange or delivery is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date) be entitled to receive any payment in respect of the Notes represented by such Temporary Global Note which falls due on or after the Exchange Date or be entitled to exercise any option on a date after the Exchange Date.
- (3) Certification of non-U.S. beneficial ownership: Unless the Final Terms specifies that the TEFRA C Rules are applicable to the Notes and subject to paragraph (2) above, if any date on which a payment of interest is due on the Notes of a Tranche occurs whilst any of the Notes of that Tranche are represented by a Temporary Global Note, the related interest payment will be made on the Temporary Global Note only to the extent that certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in substantially the form set out in the Temporary Global Note or in such other form as is customarily issued in such circumstances by the relevant clearing system) has been received by Euroclear, Clearstream, Luxembourg or any other relevant clearing system which may be specified in the relevant Final Terms. Payments of amounts due in respect of a Permanent Global Note or (subject to paragraph (2) above) a Temporary Global Note (if the relevant Final Terms specifies that the TEFRA C Rules are applicable to the Notes) will be made through Euroclear or Clearstream, Luxembourg or any other relevant clearing system without any requirement for certification.
- (4) Exchange for Definitive Notes: Interests in a Permanent Global Note will be exchanged (subject to the period allowed for delivery as set out in sub-paragraph (B)(4)(i) below), in whole but not in part only and at the request of the Holder of such Global Note, for Definitive Notes and/or (if so specified in the relevant Final Terms) Registered Notes, (a) if Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 7 occurs or, (c) at any time on the request of the bearer, if so specified in the relevant Final Terms. Whenever a Permanent Global Note is to be exchanged for Definitive Notes and/or Registered Notes, the Issuer shall procure the prompt delivery of such Definitive Notes and/or Registered Notes, duly authenticated and where and to the extent applicable, with Receipts, Coupons and Talons attached (each as defined in Condition 1.2 and Condition 1.3), in an aggregate principal amount equal to the principal amount of such Permanent Global Note to the Holder of the Permanent Global Note against its surrender at the specified office of the Fiscal Agent within 30 days of the Holder requesting such exchange. Furthermore, if:
 - (i) Definitive Notes have not been delivered in accordance with the foregoing by 5.00 p.m. (London time) on the thirtieth day after the Holder has requested exchange; or

- (ii) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Conditions or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of the Redemption Amount (as defined in Condition 6.10) together with all accrued interest thereon has not been made to the Holder in accordance with the Conditions on the due date for payment,

then such Permanent Global Note (including the obligation to deliver Definitive and/or Registered Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (B)(4)(i) above) or at 5.00 p.m. (London time) on such due date (in the case of (B)(4)(ii) above) and the Holder of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the such Holder or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg (or any other relevant clearing system as being entitled to interests in the Notes will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the Holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg or other relevant clearing system (as the case may be).

(C) Form and Exchange — Global Note Certificates

- (1) *Global Certificate*: Registered Notes held in Euroclear and/or Clearstream, Luxembourg (or other clearing system) will be represented by a Global Note Certificate which will be registered in the name of a nominee for, and deposited with, a depository for Euroclear and/or Clearstream, Luxembourg (or such other relevant clearing system).
- (2) *Exchange*: The Global Note Certificate will become exchangeable in whole, but not in part, for Individual Note Certificates if (a) Euroclear or Clearstream, Luxembourg (or other relevant clearing system) is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business, (b) any of the circumstances described in Condition 7 occurs, or (c) at any time at the request of the registered Holder if so specified in the Final Terms.

Whenever the Global Note Certificate is to be exchanged for Individual Note Certificates, such will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered Holder of the Global Note Certificate to the Registrar or the Transfer Agent (as the case may be) of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Note Certificate at the specified office of the Registrar or the Transfer Agent (as the case may be). Such exchange will be effected in accordance with the provisions of the Fiscal Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar or the Transfer Agent (as the case may be) may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If (a) Individual Note Certificates have not been issued and delivered by 5.00 p.m. (London time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with the terms of the Global Note Certificate or (b) any of the Notes evidenced by the Global Note Certificate has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case,

payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the registered Holder of the Global Note Certificate on the due date for payment in accordance with the terms of the Global Note Certificate, then the Global Note Certificate (including the obligation to deliver Individual Note Certificates) will become void at 5.00 pm (London time) on such thirtieth day (in the case of (a) above) or at 5.00 pm (London time) on such due date (in the case of (b) above) and the Holder will have no further rights thereunder (but without prejudice to the rights which the Holder or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg (or other relevant clearing system) as being entitled to interests in the Notes will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Note Certificate became void, they had been the registered Holders of Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear, Clearstream, Luxembourg or other relevant clearing system (as the case may be).

(D) Amendment to Conditions

The Temporary Global Notes, Permanent Global Notes and Global Note Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the Terms and Conditions of the Notes set out in this Base Prospectus. The following is a summary of certain of those provisions:

- (1) *Meetings:* The Holder of a Global Note or the registered Holder of a Global Note Certificate shall (unless such Global Note or Global Note Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Holders and, at any such meeting, the Holder of a Global Note shall be treated as having one vote in respect of each minimum Denomination of Notes for which such Global Note may be exchanged. (All holders of Registered Notes are entitled to one vote in respect of each Note comprising such holder's holding, whether or not represented by a Global Certificate).
- (2) *Cancellation:* Cancellation of any Note represented by a Permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the principal amount of the relevant Permanent Global Note.
- (3) *Purchase:* Notes represented by a Global Note may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.
- (4) *Issuer's Option:* Any option of the Issuer provided for in the Conditions of the Notes while such Notes are represented by a Permanent Global Note shall be exercised by the Issuer giving notice to the holders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of account holders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg or any other clearing system (as the case may be).
- (5) *Holder's Options:* Any option of the Holders provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note may be exercised by the Holder of the Permanent Global Note giving notice to the Fiscal Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the principal amount of Notes in

respect of which the option is exercised and at the same time presenting the Permanent Global Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent, for notation.

- (6) Notices: So long as any Notes are represented by a Global Note or Global Note Certificate and such Global Note or Global Note Certificate is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the Holder of the Global Note or Global Note Certificate except that so long as the Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange and the rules of that exchange so require, notice shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the d'Wort).

(E) ***Partly Paid Notes***

While any Partly Paid Instalments due from the holder of Partly Paid Notes are overdue, no interest in a Global Note or a Global Note Certificate representing such Notes may be exchanged for an interest in a Permanent Global Note or for Definitive Notes or Individual Note Certificates (as the case may be). If any holder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to such holder in respect of them.