

OFFERING CIRCULAR



**Banca Popolare di Milano**

**Banca Popolare di Milano S.C.a r.l.**

*(incorporated with limited liability in the Republic of Italy)*

**€10,000,000,000**

**Euro Medium Term Note Programme**

This Offering Circular constitutes a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the **Prospectus Directive**). Under this €10,000,000,000 Euro Medium Term Note Programme (the **Programme**), Banca Popolare di Milano S.C.a r.l. (the **Issuer** or the **Bank**) may from time to time issue non-equity securities in the meaning of Article 22 no. 6(4) of Commission Regulation (EC) No. 809/2004 of 29 April, 2004 (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €10,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “*Description of the Programme*” and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the **relevant Dealer** shall, in the case of an issue of Notes being subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

**An investment in Notes issued under the Programme involves certain risks.** For a discussion of these risks see “*Risk Factors*”.

Application has been made to the *Commission de Surveillance du Secteur Financier* (the **CSSF**) in its capacity as competent authority under the Luxembourg Act dated 10 July, 2005 on prospectuses for securities to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange. References in this Offering Circular to Notes being **listed** (and all related references) shall mean that such notes have been admitted to trading on the regulated market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*) and have been listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange’s regulated market (the **Regulated Market**) is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC). Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under “*Terms and Conditions of the Notes*”) of Notes will be set out in the applicable final terms (the **Final Terms**) which, with respect to Notes to be listed on the Luxembourg Stock Exchange, which will be filed with the CSSF.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Issuer may agree with any Dealer and the Trustee (as defined herein) that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplement to the Offering Circular if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

**ARRANGER**

**Citi**

**CO-ARRANGER**

**Banca Akros S.p.A.**

**(Gruppo Banca Popolare di Milano)**

**DEALERS**

**Banca Akros S.p.A.**

**(Gruppo Banca Popolare di Milano)**

**BofA Merrill Lynch**

**Barclays Capital**

**Citi**

**Dexia Capital Markets**

**J.P. Morgan**

**Morgan Stanley**

**Banca IMI**

**Banca Popolare di Milano**

**Crédit Agricole CIB**

**Deutsche Bank**

**Goldman Sachs International**

**Mediobanca – Banca di Credito Finanziario S.p.A.**

**The Royal Bank of Scotland**

The date of this Offering Circular is 6 August, 2010.

The Issuer (the Responsible Person) accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Offering Circular in connection with an offer of Notes are the persons named in the applicable Final Terms as the relevant Dealer or the Managers, as the case may be.

Copies of Final Terms will be available from the registered office of the Issuer and the specified office set out below of each of the Paying Agents (as defined below) and will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*” below) and with any supplements hereto. This Offering Circular shall be read and construed on the basis that such documents are incorporated in and form part of this Offering Circular.

Neither the Dealers nor the Trustee have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer in connection with the Programme. No Dealer or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer in connection with the Programme.

No person is or has been authorised by the Issuer or the Trustee to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, any of the Dealers or the Trustee.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, any of the Dealers or the Trustee that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer or the Issuer and its consolidated subsidiaries during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the Securities Act) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see “*Subscription and Sale*”).

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Dealers and the Trustee do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Dealers or the Trustee which would permit a public offering of any Notes outside the European Economic Area or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom, the Republic of Italy, The Netherlands and Germany) and Japan see “*Subscription and Sale*”.

This Offering Circular has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Offering Circular as completed by final terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

This Offering Circular includes forward-looking statements. These include statements relating to, among other things, the future financial performance of the Issuer and the Group (as defined herein), plans and expectations regarding developments in the business, growth and profitability of the Group and general industry and business conditions applicable to the Group. The Group has based these forward-looking statements on its current expectations, assumptions, estimates and projections about future events. These forward-looking statements are subject to a number of risks, uncertainties and assumptions that may cause the actual results, performance or achievements of the Group or those of its industry to be materially different from or worse than these forward-looking statements. The Issuer does not assume any obligation to update such forward-looking statements and to adapt them to future events or developments except to the extent required by law.

All references in this document to: *euro* and € refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended; *U.S. dollars*, *U.S.\$* and \$ refer to United States dollars being the currency of the United States of America; *Sterling* refers to the currency of the United Kingdom; and *yen* refers to the currency of Japan.

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**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes of the Series (as defined below) of which such Tranche forms part at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

## **RISK FACTORS**

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.*

*Words and expressions defined in the “Terms and Conditions of the Notes” below or elsewhere in this Offering Circular have the same meaning in this section.*

### **Factors that may affect the Issuer’s and Group’s ability to fulfil its obligations under Notes issued under the Programme**

#### ***Risks relating to the Issuer’s business***

As a credit institution, the Issuer is exposed to the typical risks associated with the business of a financial intermediary such as credit risk, market risk, interest rate risk, liquidity risk and operational risk, plus a series of other risks typical to businesses such as strategic risk, legal risk, tax and reputational exposure.

Credit risk relates to the risk of loss arising from counterparty default (in particular, recoverability of loans) or in the broadest sense from a failure to perform contractual obligations, including on the part of any guarantors. The credit risk that the Issuer faces arises mainly from commercial and consumer loans and advances. Credit risk may also be manifested as country risk where difficulties may arise in the country in which the exposure is domiciled thus impeding or reducing the value of the asset, or where the counterparty may be the country itself. Another form of credit risk is settlement risk, which is the possibility that the Issuer may pay a counterparty – for example, a bank in a foreign exchange transaction – but fail to receive the corresponding settlement in return.

In recent years, the global credit environment was adversely affected by significant instances of default, and there can be no certainty that further such instances will not occur. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships between institutions. This risk is sometimes referred to as “systemic risk” and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which the Group interacts on a daily basis and therefore could adversely affect the Group.

Market risk relates to the risk arising from market transactions in financial instruments, currencies and commodities.

Interest rate risk refers to the possibility of the Issuer incurring losses as a result of a poor performance in market interest rates.

Liquidity risk relates to the Issuer’s ability or lack thereof to meet cash disbursements in a timely and economic manner. It is quantified as the additional cost arising from asset sales and/or negotiation of new liabilities incurred by the intermediary when required to meet unexpected commitments by way of recourse to the market.

Operational risk relates to the risk of loss arising from shortcomings or failures in internal processes, people or systems and from external events.

### ***Risks concerning liquidity***

The Issuer's businesses are subject to risks concerning liquidity which are inherent in its banking operations, and could affect the Issuer's ability to meet its financial obligations as they fall due or to fulfil its commitments to lend. In order to ensure that the Issuer continues to meet its funding obligations and to maintain or grow its business generally, it relies on customer savings and transmission balances, as well as ongoing access to the wholesale lending markets. The ability of the Issuer to access wholesale and retail funding sources on favourable economic terms is dependent on a variety of factors, including a number of factors outside of its control, such as liquidity constraints, general market conditions and confidence in the Italian banking system.

The global financial system has yet to overcome the difficulties which first manifested themselves in August 2007, and were intensified by the bankruptcy filing of Lehman Brothers in September 2008. Financial market conditions have remained challenging and, in certain respects, have deteriorated. In addition, the continued concern about sovereign credit risks in the Euro-zone has progressively intensified over the last six months, becoming more acute in early May 2010, and in July 2010 the sovereign debt of Portugal and Ireland was downgraded by Moody's. The large sovereign debts and/or fiscal deficits in European countries have raised concerns regarding the financial condition of Euro-zone financial institutions and their exposure to such countries, in particular following the recently agreed International Monetary Fund and European Union support package for Greece. These concerns may impact the ability of Euro-zone banks to access the funding they need, or may increase the costs of such funding, which may cause such banks to suffer liquidity stress. If the current concerns over sovereign and bank solvency continue, there is a danger that inter-bank funding may become generally unavailable or available only at elevated interest rates, which might impact the Group's access to, and cost of, funding. Should the Group be unable to continue to source a sustainable funding profile, the Group's ability to fund its financial obligations at a competitive cost, or at all, could be adversely impacted.

### ***Risks connected with the creditworthiness of customers***

The Issuer's business depends to a substantial degree on the creditworthiness of its customers. Notwithstanding its detailed controls including customer credit checks, it bears normal lending risks and thus may not, for reasons beyond its control (such as, for example, fraudulent behaviour by customers), have access to all relevant information regarding any particular customer, their financial position, or their ability to pay amounts owed or repay amounts borrowed. The failure of customers to accurately report their financial and credit position or to comply with the terms of their agreements or other contractual provisions could have an adverse effect on the Issuer's business and financial results.

During a recession, a greater number of the Issuer's customers may default on their loans or other obligations. The risk arising from the impact of the economy and business climate on the credit quality of the Issuer's borrowers and counterparties can affect the overall credit quality and the recoverability of loans and amounts due from counterparties.

### ***Risks associated with general economic, financial and other business conditions***

The results of the Group are affected by general economic, financial and other business conditions. During recessionary periods, there may be less demand for loan products and a greater number of the Group's customers may default on their loans or other obligations. Interest rate rises may also have an impact on the demand for mortgages and other loan products. Fluctuations in interest rates in the markets in which the Group operates influence its performance.

As discussed under "*Risks concerning liquidity*", these risks are exacerbated by concerns over the levels of the public debt of, and the weakness of the economies in, certain Euro-zone countries. There can be no assurance that the initiatives aimed at stabilising the markets will be sufficient to avert "contagion", i.e. the risk that the Greek sovereign debt crisis will spread to other indebted countries. If there were to be a

downgrade in the sovereign debt of the countries in which the Group operates, such downgrade, or the perception that such a downgrade may occur, would be likely to have a material effect in depressing economic activity and restricting the availability, and increasing the cost, of funding for individuals and companies, which might have a material adverse effect on the Group's operating results, financial condition and prospects.

#### ***Risk management and impact of events which are difficult to anticipate***

The Issuer's earnings and business are affected by general economic conditions, the performance of financial markets, interest rate levels, currency exchange rates, changes in laws and regulation, changes in the policies of central banks, particularly the Bank of Italy and the European Central Bank, and competitive factors, at a regional and national level. Each of these factors can change the level of demand for the Issuer's products and services, the credit quality of borrowers and counterparties, the interest rate margin of the Issuer between lending and borrowing costs and the value of the Issuer's investment and trading portfolios.

The Issuer has devoted significant resources to developing policies, procedures and assessment methods to manage market, credit, liquidity and operating risks and intends to continue to do so in the future. Nonetheless, the Issuer's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risk, including risks that the Issuer fails to identify or anticipate.

#### ***Financial condition of banks and other financial institutions***

The Issuer is exposed to many different industries and counterparties in the normal course of its business, but its exposure to counterparties in the financial services industry is significant. This exposure can arise through trading, lending, deposit-taking, clearance and settlement and many other activities and relationships. These counterparties include brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Many of these relationships expose the Issuer to credit risk in the event of default of a counterparty or client. In addition, the Issuer's credit risk may be exacerbated when the collateral it holds cannot be realised or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure it is due. Many of the hedging and other risk management strategies utilised by the Issuer also involve transactions with financial services counterparties. The weakness or insolvency of these counterparties may impair the effectiveness of the Issuer's hedging and other risk management strategies. A continuation or worsening of the difficulties which have impacted the global financial services industry in recent years, discussed under "*Risks concerning liquidity*", may have a material adverse effect on the business and financial condition of the Issuer and the Group.

#### ***Risks connected with concentration of business in Northern Italy***

The Issuer's business is concentrated in Northern Italy. Although it has substantial business in other regions in Italy, a downturn in demand in the Northern Italy market could have a material adverse effect on its business.

#### ***Protracted market decline and reduced liquidity in the markets***

In some of the Issuer's businesses, protracted adverse market movements, particularly the decline of asset prices, can reduce market activity and market liquidity. These developments can lead to material losses if the Issuer cannot close out deteriorating positions in a timely way. This may especially be the case for assets that did not enjoy a very liquid market to begin with. The value of assets that are not traded on stock exchanges or other public trading markets, such as derivatives contracts between banks, may be calculated by the Issuer using models other than publicly quoted prices. Monitoring the deterioration of the prices of assets like these is difficult and failure to do so effectively could lead to unanticipated losses. This in turn could adversely affect the Issuer's operation results and financial condition.

In addition, protracted or steep declines in the stock or bond markets in Italy and elsewhere may adversely affect the Issuer's securities trading activities and its asset management services, as well as the Issuer's investments in and sales of products linked to the performance of financial assets.

### ***Value of financial instruments recorded at fair value***

Under International Financial Reporting Standards, as adopted by the European Union and as implemented under the Bank of Italy's instructions contained in Circular No. 262 of 22 December, 2005 and related transitional regulations in Italy (**IFRS**), the Issuer recognises at fair value: (i) financial instruments classified as "held-for-trading" or "designated as at fair value through profit or loss", (ii) financial assets classified as "available for sale" and (iii) derivatives, each as further described in "*Accounting Policies*" in the notes to the audited annual financial statements of the Issuer for the year ended 31 December, 2009, which are incorporated by reference in this Base Prospectus. Generally, in order to establish the fair value of these instruments, the Issuer relies on quoted market prices or, where the market for a financial instrument is not sufficiently active, internal valuation models that utilise observable market data. In certain circumstances, the data for individual financial instruments or classes of financial instruments utilised by such valuation models may not be available or may become unavailable due to changes in market conditions, as has been the case recently. In such circumstances, the Issuer's internal valuation models require the Issuer to make assumptions, judgments and estimates in order to establish fair value. In common with other financial institutions, these internal valuation models are complex, and the assumptions, judgments and estimates the Issuer is required to make often relate to matters that are inherently uncertain, such as expected cash flows, the ability of borrowers to service debt, house price appreciation and depreciation, and relative levels of defaults and deficiencies. Such assumptions, judgments and estimates may need to be updated to reflect changing trends and market conditions. The resulting change in fair values of the financial instruments could have a material adverse effect on the Issuer's earnings and financial condition.

### ***Competition***

The Issuer is subject to competition from a large number of companies who may offer the same financial products and services and other forms of alternative and/or novel forms of borrowing or investment. Such competitors include banks and other financial intermediaries. In addition, the formation of increasingly large banking groups, and the entry of foreign financial institutions into the Italian banking market, may allow such companies to offer products and services on terms that are more financially advantageous than those which it is able to offer as a result of their possible economies of scale. As a result of this competition, it may not be able to attract and retain new clients or sustain the rate of growth that it has experienced to date, which may adversely affect its market share and results of operations.

### ***Risks associated with the legislative, accounting and regulatory context***

Changes in the Italian and European regulatory framework could adversely affect the Issuer's Business. The Issuer is subject to extensive regulation and supervision by the Bank of Italy, CONSOB (the public authority responsible for regulating the Italian securities market), the European Central Bank, the European System of Central Banks and the CSSF in Luxembourg.

The banking laws to which the Issuer is subject govern the activities in which banks may engage and are designed to maintain the safety and soundness of banks, and limit their exposure to risk. In addition, the Issuer must comply with financial services laws that govern its marketing and selling practices. The regulatory framework governing international financial markets is currently being amended in response to the credit crisis, and new legislation and regulations are being introduced in Italy and the European Union that will affect the Issuer, including proposed regulatory initiatives that could significantly alter the Issuer's capital requirements. In order to meet additional capital requirements, the Issuer may be forced to raise further capital. Any failure of the Issuer to meet any such additional regulatory capital requirements could result in administrative actions or sanctions. Such changes in the regulatory framework and in how such regulations are applied may have a material effect on the Issuer's business and operations.



Further, on 31 January, 2007 the Italian Government adopted law decree No. 7 which was later converted into law by Law No. 40 of 2 April, 2007 (the **Bersani Decree**). The Bersani Decree aims at, *inter alia*, increasing competitiveness in a number of sectors, including the banking sector. In particular, in the banking sector, the Bersani Decree aims at reducing the costs associated with prepayment of mortgage loans with a view to allowing borrowers to refinance their mortgage loans more easily. With specific regard to mortgage loans (*mutui*) (and, in particular, mortgage loans granted for the purpose of purchasing or refurbishing real estate assets dedicated to residential use or to the carrying out of economic or professional activities by natural persons) executed after 2 February, 2007, under article 7 of the Bersani Decree prepayment fees are no longer permitted. Any provision to the contrary is null and void.

### ***Operational risk***

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

### ***Risks connected with information technology***

The Issuer's business relies upon integrated information technology systems, including an offsite back-up system. It relies on the correct functioning and reliability of such system and on its ability to protect the Issuer's network infrastructure, information technology equipment and customer information from losses caused by technical failure, human error, natural disaster, sabotage, power failures and other losses of function to the system. The loss of information regarding customers or other information central to the Issuer's business, such as credit risk control, or material interruption in the service could have a material adverse effect on its results of operations. In addition, upgrades to the Issuer's information technology required by law or necessitated by future business growth may require significant investments.

### **Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme**

#### ***The Notes may not be a suitable investment for all investors***

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

### *Risks related to the structure of a particular issue of Notes*

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

#### *Notes subject to optional redemption by the Issuer*

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

#### *The Notes may be redeemed prior to maturity*

Unless in the case of any particular Tranche of Notes the relevant Final Terms specifies otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Italy or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

In addition, if in the case of any particular Tranche of Notes the relevant Final Terms specifies that the Notes are redeemable at the Issuer's option in certain other circumstances the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

#### *Index Linked Notes and Dual Currency Notes*

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;

- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

#### *Partly-paid Notes*

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

#### *Variable rate Notes with a multiplier or other leverage factor*

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

#### *Inverse Floating Rate Notes*

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

#### *Fixed/Floating Rate Notes*

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

#### *Notes issued at a substantial discount or premium*

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

### *The Issuer's obligations under Subordinated Notes are subordinated*

The payment obligations of the Issuer under Upper Tier II Subordinated Notes will rank behind Lower Tier II Subordinated Notes and Tier III Notes. The Lower Tier II Subordinated Notes and Tier III Notes constitute direct, unsecured and, in accordance with the paragraphs below, subordinated obligations of the Issuer and rank *pari passu* without any preference amongst themselves and are subordinated to the claims of all unsubordinated unsecured creditors (including depositors) of the Issuer.

The claims of the holders of Upper Tier II Subordinated Notes in relation to payments of principal and interest will be suspended if the Issuer's capital falls below the minimum capital requirements as provided by the Bank of Italy. In addition, the Issuer may defer interest payments on such Notes if (i) no annual dividend has been approved, paid or set aside for payment in respect of any class of shares of the Issuer during the 12-month period ending on, but excluding, the second London Business Day immediately preceding the relevant Interest Payment Date or (ii) the Issuer has announced, based on any interim accounts released during the 6-month period ending on, but excluding, the second London Business Day immediately preceding the relevant Interest Payment Date, that no interim dividends will be paid. See Condition 3(b) and (c) of the Terms and Conditions of the Notes for a full description of subordination and the payment obligations of the Issuer under Upper Tier II Subordinated Notes.

The obligations of the Issuer under Tier III Subordinated Notes in relation to principal and interest will be suspended and deferred if any payment of principal and interest would either (i) reduce the Issuer's Total Amount of Regulatory Capital (as defined in Condition 3(c)(i) of the Terms and Conditions of the Notes), either on a consolidated or unconsolidated basis, below the aggregate minimum credit risk capital requirements of the Issuer as required by the Bank of Italy or (ii) if the Issuer's Total Amount of Regulatory Capital, either on a consolidated or unconsolidated basis, is less than the aggregate minimum credit risk capital requirements of the Issuer as required by the Bank of Italy. See Condition 3(c) of the Terms and Conditions of the Notes for a full description of subordination and the payment obligations of the Issuer under Tier III Subordinated Notes.

Any deferral and suspension of payments of principal and interest will likely have an adverse effect on the market price of the Upper Tier II Subordinated Notes and the Tier III Subordinated Notes. In addition, as a result of the deferral and suspension provisions of the Upper Tier II Subordinated Notes and the Tier III Subordinated Notes, the market price of the Upper Tier II Subordinated Notes and Tier III Subordinated Notes may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and suspensions and may be more sensitive generally to adverse changes in the Issuer's financial condition.

### ***Risks related to Notes generally***

Set out below is a brief description of certain risks relating to the Notes generally:

#### *Modification, waivers and substitution*

The Trust Deed (as defined in "*Terms and Conditions of the Notes*" below) and the conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 14 of the Terms and Conditions of the Notes.

## *EU Savings Directive*

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September, 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November, 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April, 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

## *Change of law*

The conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular.

*Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer*

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depository or common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes the Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the common depository or common safekeeper for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the Issuer in the event of a default under the relevant Notes but will have to rely upon their rights under the Deed of Covenant.

### *Notes where denominations involve integral multiples: definitive Notes*

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples, of such minimum Specified Denomination. In such case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

### ***Risks related to the market generally***

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

#### *The secondary market generally*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

#### *Exchange rate risks and exchange controls*

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

#### *Interest rate risks*

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

#### *Credit ratings may not reflect all risks*

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

*Legal investment considerations may restrict certain investments*

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

## DESCRIPTION OF THE PROGRAMME

The following description does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of listed Notes only and if appropriate, a supplement to the Offering Circular will be published. Words and expressions defined in “*Form of the Notes*” and “*Terms and Conditions of the Notes*” shall have the same meanings in this description.

This description constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive.

<b>Issuer:</b>	Banca Popolare di Milano S.C.a r.l.
<b>Description:</b>	Euro Medium Term Note Programme
<b>Arranger:</b>	Citigroup Global Markets Limited
<b>Co-Arranger:</b>	Banca Akros S.p.A. (Gruppo Banca Popolare di Milano)
<b>Dealers:</b>	Banca Akros S.p.A. (Gruppo Banca Popolare di Milano) Banca IMI S.p.A. Banca Popolare di Milano S.C.a r.l. Barclays Bank PLC Citigroup Global Markets Limited Crédit Agricole Corporate and Investment Bank Deutsche Bank AG, London Branch Dexia Banque Internationale à Luxembourg acting under the name of Dexia Capital Markets Goldman Sachs International J.P. Morgan Securities Ltd. Mediobanca – Banca di Credito Finanziario S.p.A. Merrill Lynch International Morgan Stanley & Co. International plc The Royal Bank of Scotland plc and any other dealers appointed in accordance with the Programme Agreement.
<b>Certain Restrictions:</b>	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”) including the following restrictions applicable at the date of this Offering Circular.
<b>Issuing and Principal Paying Agent:</b>	Citibank, N.A., London Branch
<b>Trustee:</b>	Citicorp Trustee Company Limited
<b>Programme Size:</b>	Up to €10,000,000,000 (or its equivalent in other currencies calculated as described under “ <i>Description of the Programme</i> ”) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.



<b>Distribution:</b>	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
<b>Currencies:</b>	Euro, Sterling, U.S. dollars, yen and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer.
<b>Maturities:</b>	<p>Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.</p> <p>Unless otherwise permitted by current laws, regulations, directives and/or the Bank of Italy's requirements applicable to the issue of Subordinated Notes by the Issuer, (i) Upper Tier II Subordinated Notes must have a minimum maturity of ten years, (ii) Lower Tier II Subordinated Notes must have a minimum maturity of five years and (iii) Tier III Subordinated Notes must have a minimum maturity of two years.</p> <p><b>Notes having a maturity of less than one year</b></p> <p>Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "<i>Subscription and Sale</i>".</p> <p>Under the Luxembourg Act dated 10 July, 2005 on prospectuses for securities, which implements the Prospectus Directive, prospectuses for the listing of money market instruments having a maturity at issue of less than 12 months and complying also with the definition of securities are not subject to the approval provisions of such Act and do not need to be approved by the CSSF.</p>
<b>Issue Price:</b>	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
<b>Form of Notes:</b>	The Notes will be in bearer form and will on issue be represented by either a Temporary Global Note or a Permanent Global Note as specified in the applicable Final Terms. Temporary Global Notes will be exchangeable for either (i) interests in a Permanent Global Note or (ii) definitive Notes, as indicated in the applicable Final Terms. Permanent Global Notes will be exchangeable for definitive Notes upon either (i) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein or (ii) only upon the occurrence of an Exchange Event as described under " <i>Form of the Notes</i> ".
<b>Fixed Rate Notes:</b>	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count

Fraction as may be agreed between the Issuer and the relevant Dealer.

**Floating Rate Notes:**

Floating Rate Notes will bear interest at a rate determined:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
- (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (c) on such other basis as may be agreed between the Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

**Index Linked Notes:**

Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree.

**Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:**

Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

**Dual Currency Notes:**

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.

**Zero Coupon Notes:**

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

**Redemption:**

The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable 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 its minimum capital requirements (*patrimonio di vigilanza*) as prescribed in 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 relevant Maturity 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 best endeavours to maintain such required minimum capital and to obtain such approval. Amounts that would otherwise be payable on the Maturity Date will continue to bear interest as provided in the Trust Deed.

**Denomination of Notes:**

Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a member state of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €50,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

**Taxation:**

All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by the Republic of Italy subject as provided in Condition 7. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 7, be required to pay additional amounts to cover the amounts so deducted.

**As more fully described under “Taxation – Italian Taxation” below, Notes that (a) qualify as *obbligazioni* or *titoli similari alle obbligazioni* pursuant to Article 44 of Italian Presidential Decree No. 917 of 22 December, 1986, as amended, and (b) have a maturity of less than 18 months are subject to a withholding tax at the rate of 27 per cent. per annum (final or on account) in respect of interest and premium (if any), pursuant to Italian Presidential Decree No. 600 of 29 September, 1973, as amended.**

**Notes that (a) do not qualify as *obbligazioni* pursuant to Article 12 of Italian Legislative Decree No. 385 of 1 September, 1993, and (b) are not deemed to fall within the category of *obbligazioni* or *titoli similari alle obbligazioni* pursuant to Article 44 of Italian Presidential Decree No. 917 of 22 December, 1986, as amended, but (c) qualify as *titoli atipici* (atypical securities) for Italian tax purposes, are subject to a withholding tax at the rate of 27 per cent. (final or on account) in respect of interest and other proceeds, pursuant to Italian Law Decree No. 512 of 30 September, 1983 (converted by Law No. 649 of 25 November, 1983), as amended.**

**Negative Pledge:**

None

<b>Cross Default:</b>	The terms of the Senior Notes will contain a cross default provision as further described in Condition 9.
<b>Status of Notes:</b>	Notes issued by the Issuer may be either unsubordinated ( <b>Senior Notes</b> ) or subordinated as described below.
<b>Status of the Senior Notes:</b>	The Senior Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
<b>Status of the Subordinated Notes:</b>	<p>The Upper Tier II Subordinated Notes, the Lower Tier II Subordinated Notes and the Tier III Subordinated Notes will constitute direct, unsecured and subordinated obligations of the Issuer and will rank <i>pari passu</i> and without any preference among themselves.</p> <p>In the event of the winding up, dissolution, liquidation or bankruptcy (including, <i>inter alia</i>, <i>Liquidazione Coatta Amministrativa</i>, as described in Articles 80 to 94 of the Italian Banking Act) of the Issuer, the payment obligations of the Issuer under each series of Upper Tier II Subordinated Notes, Lower Tier II Subordinated Notes or Tier III Subordinated Notes and any relative Receipts and Coupons will rank in right of payment after unsubordinated unsecured creditors (including depositors) of the Issuer but at least <i>pari passu</i> with all other subordinated obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to each series of Upper Tier II Subordinated Notes, Lower Tier II Subordinated Notes or Tier III Subordinated Notes, as the case may be, and in priority to the claims of shareholders of the Issuer, as described in Condition 3.</p>
<b>Loss Absorption on Upper Tier II Subordinated Notes:</b>	To the extent that the Issuer at any time suffers losses which, in accordance with Articles 2446 and 2447 of the Italian Civil Code, would require the Issuer to reduce its capital to below the Minimum Capital (as defined in Condition 3(b)(i)), the obligations of the Issuer in respect of interest and principal under Upper Tier II Subordinated Notes will be reduced to the extent necessary to enable the Issuer, in accordance with the requirements of Italian law, to maintain at least the Minimum Capital. The obligations of the Issuer in respect of interest and principal due under Upper Tier II Subordinated Notes which are so reduced will be subject to reinstatement in certain circumstances.
<b>Deferral of Interest on Upper Tier II Subordinated Notes:</b>	The Issuer is not required to pay interest on Upper Tier II Subordinated Notes on an Interest Payment Date if (i) no annual dividend has been approved by, paid to or set aside for payment to the shareholders of the Issuer or paid or set aside in respect of any class of shares of the Issuer during the 12-month period ending on, but excluding, the second London Business Day immediately preceding such Interest Payment Date; or (ii) 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-month period ending on, but excluding, the second London Business Day 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.

**Lock-in on Tier III Subordinated Notes:**

The Issuer is entitled to suspend and defer payments in respect of principal and interest due under Tier III Subordinated Notes without such suspension and deferral constituting an Event of Default if any of such payments would reduce the total value of the Issuer's regulatory capital (*fondi patrimoniali*) below the regulatory capital requirements, either on a consolidated or on a solo basis, as required by the then applicable Bank of Italy's Regulations. The obligations of the Issuer in respect of interest and principal due under Tier III Subordinated Notes which are so suspended and deferred will be subject to reinstatement in certain circumstances.

**Rating:**

The rating of the Notes to be issued under the Programme will be specified in the applicable Final Terms.

**Approval, Listing and Admission to Trading:**

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange.

Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued.

The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

**Governing Law:**

The Notes, and any non-contractual obligations arising out of or in connection with the Notes, will be governed by, and shall be construed in accordance with, English law, save that subordination provisions applicable to Subordinated Notes will be governed by, and construed in accordance with, Italian law.

**Selling Restrictions:**

There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the Republic of Italy, the United Kingdom, The Netherlands and Germany) and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".

**United States Selling Restrictions:**

Regulation S, Category 2. TEFRA C or D, as specified in the applicable Final Terms.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Offering Circular and have been filed with the CSSF shall be incorporated in, and form part of, this Offering Circular:

- (a) the annual financial statements for the years ended 31 December, 2008 and 31 December, 2009 of the Issuer;
- (b) the unaudited first quarter consolidated financial statements of the Issuer for the three month periods ended 31 March, 2009 and 31 March, 2010; and
- (c) the articles of association (*statuto*) of the Issuer (incorporated for information purposes),

save that any statement contained herein or in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any document which is subsequently incorporated by reference herein by way of a supplement prepared in accordance with Article 16 of the Prospectus Directive modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

Copies of documents incorporated by reference in this Offering Circular can be obtained from the registered office of the Issuer and from the principal office in Luxembourg of Dexia Banque Internationale à Luxembourg (the **Luxembourg Listing Agent**) for the time being in Luxembourg and will also be published on the Luxembourg Stock Exchange's website (*www.bourse.lu*).

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Offering Circular which is capable of affecting the assessment of any Notes, prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of Notes.

### Cross Reference List

<b>Document</b>	<b>Information incorporated</b>	<b>Page numbers</b>
Banca Popolare di Milano S.C.a r.l. Audited Consolidated and Unconsolidated Annual Financial Statements as at and for the Financial Year Ended 31 December, 2009	Consolidated Financial Statements:	
	<i>Balance sheet</i>	462-463
	<i>Income statement</i>	464
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	<i>Statement of changes in equity</i>	466-467
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	Unconsolidated Financial Statements:	
	<i>Balance sheet</i>	78-79
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	<i>Balance sheet</i>	84-85
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Banca Popolare di Milano S.C.a r.l. Unaudited First Quarter Consolidated Financial Statements for the three month period ended 31 March, 2010	Consolidated Financial Statements:	
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Any information not listed in the cross reference list but included in the documents incorporated by reference is given for information purposes only.

## FORM OF THE NOTES

Each Tranche of Notes will be in bearer form and will be initially issued in the form of a Temporary Global Note (a **Temporary Global Note**) or, if so specified in the applicable Final Terms, a Permanent Global Note (a **Permanent Global Note**) which, in either case, will:

- (i) if the Global Notes are intended to be issued in new global note (NGN) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**); and
- (ii) if the Global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depository (the **Common Depository**) for, Euroclear and Clearstream, Luxembourg.

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Global Note of the same Series or (b) for definitive Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 9) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Trustee may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Agent



requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Notes which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Notes:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”), the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Issuing and Paying Agent and the Trustee.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

## APPLICABLE FINAL TERMS

*Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.*

Notes that (a) qualify as *obbligazioni* or *titoli similari alle obbligazioni* pursuant to Article 44 of Italian Presidential Decree No. 917 of 22 December, 1986, as amended, and (b) have a maturity of less than 18 months are subject to a withholding tax at the rate of 27 per cent. per annum (final or on account) in respect of interest and premium (if any), pursuant to Italian Presidential Decree No. 600 of 29 September, 1973, as amended.

Notes that (a) do not qualify as *obbligazioni* pursuant to Article 12 of Italian Legislative Decree No. 385 of 1 September, 1993, and (b) are not deemed to fall within the category of *obbligazioni* or *titoli similari alle obbligazioni* pursuant to Article 44 of Italian Presidential Decree No. 917 of 22 December, 1986, as amended, but (c) qualify as *titoli atipici* (atypical securities) for Italian tax purposes, are subject to a withholding tax at the rate of 27 per cent. (final or on account) in respect of interest and other proceeds, pursuant to Italian Law Decree No. 512 of 30 September, 1983, (converted by Law No. 649 of 25 November, 1983), as amended.

[Date]

### BANCA POPOLARE DI MILANO S.C.a r.l.

*(incorporated with limited liability in the Republic of Italy with its registered office in Milan;  
number 00715120150 in the Register of Companies)*

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

**under the €10,000,000,000**

**Euro Medium Term Note Programme**

### **PART A – CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 6 August, 2010 [and the Supplement to the Offering Circular dated [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular [as so supplemented].

The Offering Circular [and the supplement to the Offering Circular dated [date]] is available for viewing at, and copies of it may be obtained from, the registered office of the Issuer, Piazza Filippo Meda, 4, 20121 Milan and from Dexia Banque Internationale à Luxembourg at 69, route d'Esch L2953 Luxembourg and will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated [original date] [and the Supplement to the Offering Circular dated [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 Offering Circular dated 6 August, 2010 [and the Supplement to the Offering Circular dated [date]] which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Offering Circular dated [original date] [and the Supplement to the Offering Circular dated [date]] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms

and the Offering Circulars dated 6 August, 2010 and [original date] [and the Supplement to the Offering Circular dated [date]]. Copies of such Offering Circulars [and the Supplement to the Offering Circular dated [date]] are available for viewing at, and copies of it may be obtained from, the registered office of the Issuer, Piazza Filippo Meda, 4, 20121 Milan and from Dexia Banque Internationale à Luxembourg at 69, route d'Esch L-2953 Luxembourg and will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

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

*[When adding any other final terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.]*

*[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]*

- 1. Issuer: Banca Popolare di Milano S.C.a r.l.
- 2. (a) Series Number: [ ]
- (a) Tranche Number: [ ]
- (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
- 3. Specified Currency or Currencies: [ ]
- 4. Aggregate Nominal Amount:
- (a) [Series: [ ]]
- (b) [Tranche: [ ]]
- 5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date if applicable]]
- 6. (a) Specified Denominations: [ ]
- (N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the €50,000 minimum denomination is not required.)*
- (Note – where multiple denominations above [€50,000] or equivalent are being used the following sample wording should be followed:*
- “[€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]. No Notes in definitive form will be issued with a denomination above [€99,000] or below [50,000].”)*
- (b) Calculation Amount: [ ]
- (If only one Specified Denomination, insert the Specified Denomination. If more than one specified Denomination, insert the highest common factor.*

*Note: there must be a common factor in the case of two or more Specified Denominations.)*

7. (a) Issue Date: [ ]  
(b) Interest Commencement Date: [specify/Issue Date/Not Applicable]  
*(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date: [Fixed rate – specify date/Floating rate – Interest Payment Date falling in or nearest to [specify month and year]]  
*(Unless otherwise permitted by current laws, regulations, directives and/or the Bank of Italy’s requirements applicable to the issue of Subordinated Notes by the Issuer, (i) Upper Tier II Subordinated Notes must have a minimum maturity of 10 years, (ii) Lower Tier II Subordinated Notes must have a minimum maturity of five years, and (iii) Tier III Subordinated Notes must have a minimum maturity of two years).*
9. Interest Basis: [[ ] per cent. Fixed Rate]  
[[LIBOR/EURIBOR] +/- [ ] per cent. Floating Rate]  
[Zero Coupon]  
[Index Linked Interest]  
[Dual Currency Interest]  
[specify other]  
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
[Index Linked Redemption]  
[Dual Currency Redemption]  
[Partly Paid]  
[Instalment]  
[specify other]  
*(N.B. If the Final Redemption Amount is not 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
11. Change of Interest Basis or Redemption/Payment Basis: [Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]
12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]
13. Status of the Notes: [Senior Notes/Upper Tier II Subordinated Notes/  
Lower Tier II Subordinated Notes/Tier III Subordinated Notes]
14. Method of distribution: [Syndicated/Non-syndicated]

## PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate(s) of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly/specify other] in arrear]  
*(If payable other than annually, consider amending Condition 4)*
- (b) Interest Payment Date(s): [[ ] in each year up to and including the Maturity Date]/[specify other]  
*(N.B. This will need to be amended in the case of long or short coupons)*
- (c) Fixed Coupon Amount(s): [ ] per Calculation Amount  
*(Applicable to Notes in definitive form)*
- (d) Broken Amount(s): [ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]  
*(Applicable to Notes in definitive form)*
- (e) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or [specify other]]
- (f) Determination Date(s): [ ] in each year  
*[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]*  
*[N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration]*  
*[N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA)]*
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]
16. Floating Rate Note Provisions: [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (c) Additional Business Centre(s): [ ]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/specify other]

- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ]
- (f) Screen Rate Determination:
- (i) Reference Rate: [ ]
- (Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)*
- (ii) Interest Determination Date(s): [ ]
- (Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
- (iii) Relevant Screen Page: [ ]
- (In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (g) ISDA Determination:
- (i) Floating Rate Option: [ ]
- (ii) Designated Maturity: [ ]
- (iii) Reset Date: [ ]
- (h) Margin(s): [+/-] [ ] per cent. per annum
- (i) Minimum Rate of Interest: [ ] per cent. per annum
- (j) Maximum Rate of Interest: [ ] per cent. per annum
- (k) Day Count Fraction: [Actual/Actual (ISDA) or Actual/Actual (ICMA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 30E/360 (ISDA) Other]
- (See Condition 4 for alternatives)*
- (l) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [ ]
17. Zero Coupon Note Provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*

- (a) Accrual Yield: [ ] per cent. per annum
- (b) Reference Price: [ ]
- (c) Any other formula/basis of determining amount payable: [ ]
- (d) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 6.5(c) and 6.10 apply/specify other]  
(Consider applicable day count fraction if not U.S. dollar denominated)
18. Index Linked Interest Note Provisions: [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)  
  
(N.B. If the Final Redemption Amount is not 100 per cent. of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)
- (a) Index/Formula: [give or annex details]
- (b) Calculation Agent: [give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)]
- (c) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent): [give name and address]
- (d) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (e) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (f) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (g) Additional Business Centre(s): [ ]
- (h) Minimum Rate of Interest: [ ] per cent. per annum
- (i) Maximum Rate of Interest: [ ] per cent. per annum
- (j) Day Count Fraction: [ ]
19. Dual Currency Interest Note Provisions: [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)  
  
(N.B. If the Final Redemption Amount is not 100 per cent. of the nominal value, the Notes will be derivative

*securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply).*

- (a) Rate of Exchange/method of calculating Rate of Exchange: [give or annex details]
- (b) Party, if any, responsible for calculating the principal and/or interest due (if not the Agent): [ ]
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (d) Person at whose option Specified Currency(ies) is/are payable: [ ]

## **PROVISIONS RELATING TO REDEMPTION**

20. Issuer Call: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): [If the Notes are Subordinated Notes, unless otherwise permitted by current laws, regulations, directives and/or the Bank of Italy's requirements applicable to the issue of Subordinated Notes by the Issuer, the Optional Redemption Date shall not be earlier than (i) in the case of Upper Tier II Subordinated Notes, 10 years after the Issue Date, (ii) in the case of Lower Tier II Subordinated Notes, five years after the Issue Date, and (iii) in the case of Tier III Subordinated Notes, two years after the Issue Date]
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/specify other/see Appendix]
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [ ]
- (ii) Maximum Redemption Amount: [ ]
- (d) Notice period (if other than as set out in the Conditions): [ ]
- (N.B. If setting notice periods which are different from those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*
21. Investor Put: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*



- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/specify other/see Appendix]
- (c) Notice period (if other than as set out in the Conditions): [ ]

*(N.B. If setting notice periods which are different from those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*

22. Final Redemption Amount: [[ ] per Calculation Amount/specify other/see Appendix]

*(N.B. In relation to any issue of Notes which are expressed at paragraph 6 above to have a minimum denomination and tradeable amounts above such minimum denomination which are smaller than it the following wording should be added: "For the avoidance of doubt, in the case of a holding of Notes in an integral multiple of [ ] in excess of [ ] as envisaged in paragraph 6 above, such holding will be redeemed at its nominal amount.")*

*(N.B. If the Final Redemption Amount is not 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply. Where the Final Redemption Amount is linked to the exercise price or the final reference price of an underlying, give details of the exercise price or final reference price.)*

23. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 6.5): [[ ] per Calculation Amount/specify other/see Appendix ]

## **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

24. Form of Notes: Bearer
- (a) Form: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]\*
- [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]\*
- [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon

an Exchange Event/at any time at the request of the Issuer]]\*

*(\*The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: “[€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000].” Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)*

25. New Global Note: [Yes][No]
26. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details]  
*(Note that this item relates to the place of payment and not Interest Period end dates to which items 16(d) and 18(f) relate)*
27. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details. N.B. a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues]
29. Details relating to Instalment Notes:
- (a) [Instalment Amount(s): [Not Applicable/give details]]
- (b) [Instalment Date(s): [Not Applicable/give details]]
30. Other final terms: [Not Applicable/give details]  
*(When adding any other final terms, consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)*  
*(Consider including a term providing for tax certification if required to enable interest to be paid gross by issuers.)*

## DISTRIBUTION

31. (a) If syndicated, names of Managers: [Not Applicable/give names]
- (b) Date of Subscription Agreement: [ ]

*(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, include names of entities agreeing to underwrite the issue on a firm commitment basis and names of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers.)*

- (c) Stabilising Manager(s) (if any): [Not Applicable/give name]
32. If non-syndicated, name of relevant Dealer: [Not Applicable/give name]
33. U.S. Selling Restrictions: [Reg S compliance category: [1/2] TEFRA D/TEFRA C/TEFRA not applicable]
34. Additional selling restrictions: [Not Applicable/give details]

### **ISSUER DETAILS**

Further information in respect of the Issuer is provided, pursuant to Article 2414 of the Italian Civil Code, in the Schedule hereto.

### **PURPOSE OF FINAL TERMS**

These Final Terms comprise the final terms required for issue and admission to trading on the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange of the Notes described herein pursuant to the €10,000,000,000 Euro Medium Term Note Programme of Banca Popolare di Milano S.C.a r.l.

### **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Final Terms. [[ ] has been extracted from [ ]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of Banca Popolare di Milano S.C.a r.l.:

By: .....

*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to Trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange's Gilt Edged and Fixed Interest Market or the Regulated Market of the Irish Stock Exchange) and, if relevant, admission to an official list (for example, the Official List of the UK Listing Authority)] with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange's Gilt Edged and Fixed Interest Market or the Regulated Market of the Irish Stock Exchange) and, if relevant, admission to an official list (for example, the Official List of the UK Listing Authority)] with effect from [ ].] [Not Applicable.]
- (ii) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

Ratings:

The Notes to be issued have been rated:

[S & P: [ ]]

[Moody's: [ ]]

[[Other]: [ ]]

*(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Dealers/Managers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. – Amend as appropriate if there are other interests]

*[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)]*

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

- [(i) Reasons for the offer [ ]]
- [(ii) Estimated net proceeds: [ ]]
- [(iii) Estimated total expenses in relation to the admission to trading: [ ]]

*(N.B.: Delete unless the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, in which case (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and where such reasons are inserted in (i) disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.)*

**5. YIELD (Fixed Rate Notes only)**

Indication of yield: [ ]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

**6. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING (Index-Linked Notes only)**

*[Need to include details of where past and future performance and volatility of the index/formula can be obtained.]*

*[Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained.]*

*[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation including a description of any market disruption or settlement disruption events that affect the underlying and any adjustment rules in relation to events concerning the underlying.]*

*(When completing the above paragraphs, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16d the Prospectus Directive.)*

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information]

*(N.B. This paragraph 6 applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)*

**7. PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT (Dual Currency Notes only)**

*[Need to include details of where past and future performance and volatility of the relevant rates can be obtained.]*

*[(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)]*

*(N.B. This paragraph 7 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)*

## 8. OPERATIONAL INFORMATION

- (i) ISIN Code: [ ]
- (ii) Common Code: [ ]
- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of additional Paying Agent(s) (if any): [ ]
- (vi) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes] [No]
- [Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] *[include this text if “yes” selected in which case the Notes must be issued in NGN form]*

## SCHEDULE TO THE FINAL TERMS

### Further information relating to the Issuer

*[The information set out in this Schedule may need to be updated if, at the time of the issue of the Notes, any of it has changed since the date of the Offering Circular.]*

1. Name: Banca Popolare di Milano S.C.a r.l.
2. Objects: The objects of the Issuer, as set out in Articles 5 and 6 of its by-laws, are as follows:  
  
The granting of credit to its shareholders through co-operation and the acceptance of deposits, together with carrying out own- or client-account banking transactions and providing banking services of all kinds, although strictly excluding operations of a purely speculative nature. In granting credit, the Issuer gives preference to its shareholders and to small loans.  
  
The Issuer may engage in any banking, financial or intermediation transaction or service, subject to obtaining the necessary official approvals and to complying with the relevant legislation; it may also undertake any other operation that is conducive or otherwise related to achieving its objects.
3. Registered office: Piazza Filippo Meda, 4  
20121 Milan  
Italy
4. Company registration: Registered at the Companies' Registry of the Chamber of Commerce of Milan, Italy under registration no. 00715120150.
5. Amount of paid-up share capital and reserves: Paid-up share capital: €[ ], consisting of [ ] ordinary shares with a nominal value of €[ ] each.  
  
Reserves: €[ ]

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by Banca Popolare di Milano S.C.a r.l. (the **Issuer**) constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) dated 29 July, 2009 made between the Issuer and Citicorp Trustee Company Limited (the **Trustee**, which expression shall include any successor as Trustee).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a **Global Note**), units of the lowest Specified Denomination in the Specified Currency;
- (b) any Global Note; and
- (c) any definitive Notes issued in exchange for a Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 29 July, 2009 and made between the Issuer, the Trustee, Citibank, N.A. as issuing and paying agent and agent bank (the **Issuing and Paying Agent**, which expression shall include any successor issuing and paying agent) and the other paying agents named therein (together with the Issuing and Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

Interest bearing definitive Notes have interest coupons (**Coupons**) and, if indicated in the applicable Final Terms, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Notes repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Final Terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplements these Terms and Conditions (the **Conditions**) and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the **applicable Final Terms** are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The Trustee acts for the benefit of the holders for the time being of the Notes (the **Noteholders**, which expression shall, in relation to any Notes represented by a Global Note, be construed as provided below), the holders of the Receipts (the **Receiptholders**) and the holders of the Coupons (the **Couponholders**, which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of



Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee being at 29 July, 2009 at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB and at the specified office of each of the Paying Agents. Copies of the applicable Final Terms are available for viewing at, and copies can be obtained from, the registered office of the Issuer at Piazza Filippo Meda, 4, 20121 Milan, Italy and from Dexia Banque Internationale à Luxembourg at 69, route d'Esch L-2953 Luxembourg and will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the Trustee or, as the case may be, the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed or the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed, and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

## **1. FORM, DENOMINATION AND TITLE**

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

This Note may also be a Senior Note, an Upper Tier II Subordinated Note, a Lower Tier II Subordinated Note or a Tier III Subordinated Note, depending on the status of the Notes specified in the applicable Final Terms.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. The Issuer, the Paying Agents and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking, société anonyme (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the

nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Paying Agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, any Paying Agent and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Issuing and Paying Agent and the Trustee.

## 2. STATUS OF THE SENIOR NOTES

The Senior Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

## 3. STATUS OF THE SUBORDINATED NOTES

*This Condition 3 applies only to Notes specified in the applicable Final Terms as Upper Tier II Subordinated Notes, Lower Tier II Subordinated Notes or Tier III Subordinated Notes. Upper Tier II Subordinated Notes, Lower Tier II Subordinated Notes and Tier III Subordinated Notes are together referred to in these Terms and Conditions as **Subordinated Notes**.*

### (a) Status of Subordinated Notes

- (i) The Upper Tier II Subordinated Notes (*strumenti ibridi di patrimonializzazione*, as defined in the Bank of Italy's regulations (*Istruzioni di Vigilanza della Banca d'Italia*) and Circular 263 of 27 December, 2006 as amended and integrated, or such successor regulations as may be in force from time to time (the **Bank of Italy's Regulations**)), the Lower Tier II Subordinated Notes (*passività subordinate di 2° livello*, as defined in Title I, Chapter 2, Section II, paragraph 4.2 of the Bank of Italy's Regulations or such successor regulations as may be in force from time to time) and the Tier III Subordinated Notes (*passività subordinate di 3° livello*, as defined in Title I, Chapter 2, Section II, paragraph 1.5 of the Bank of Italy's Regulations) and any relative Receipts and Coupons constitute direct, unsecured and subordinated obligations of the Issuer and, subject to Condition 3(a)(ii), 3(b)(i), 3(b)(ii) and 3(c), rank *pari passu* without any preference among themselves. In relation to each Series of Upper Tier II Subordinated Notes, Lower Tier II Subordinated Notes or Tier III Subordinated Notes, all Upper Tier II Subordinated Notes, Lower Tier II Subordinated Notes or Tier III Subordinated Notes, as the case may be, 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 Upper Tier II Subordinated Notes, Lower Tier II Subordinated Notes or Tier III Subordinated Notes, as the case may be, of such Series.
- (ii) In the event of the winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*, as described in Articles 80 to 94 of Legislative Decree No. 385 of 1 September, 1993, as amended from time to time (the

**Italian Banking Act**) of the Issuer, the payment obligations of the Issuer under each Series of Upper Tier II Subordinated Notes, Lower Tier II Subordinated Notes or Tier III Subordinated Notes, as the case may be, and the relative Receipts and Coupons will rank in right of payment after unsubordinated unsecured creditors (including depositors) of the Issuer but at least *pari passu* with all other subordinated obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to such Series of Upper Tier II Subordinated Notes, Lower Tier II Subordinated Notes or Tier III Subordinated Notes, as the case may be, and in priority to the claims of shareholders of the Issuer.

- (iii) 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.

(b) **Special provisions relating to Upper Tier II Subordinated Notes**

(i) *Loss Absorption*

To the extent that the Issuer at any time suffers losses which (as provided for in Articles 2446 and 2447 of the Italian Civil Code) would require the Issuer to reduce its capital 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 carry on banking activities and as determined by independent auditors and certified in writing to the Trustee by two Directors of the Issuer (the **Minimum Capital**), the obligations of the Issuer in respect of principal and interest under the Upper Tier II Subordinated Notes will be reduced to the extent necessary to enable the Issuer, in accordance with requirements under Italian legal and regulatory provisions, to maintain at least the Minimum Capital. The obligations of the Issuer in respect of principal and interest under the Upper Tier II Subordinated Notes which are so reduced will be reinstated whether or not the Maturity Date of the relevant obligations has occurred:

- (A) in whole, in the event of winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*, as described in Articles 80 to 94 of the Italian Banking Act) of the Issuer and with effect immediately prior to the commencement of such winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*, as described above), as if such obligations of the Issuer had not been so reduced in accordance with this Condition 3(b)(i); and
- (B) in whole or in part, from time to time, to the extent that the Issuer, by reason of its having profits, or by reason of its obtaining new capital contributions, or by reason of the occurrence of any other event, would again have at least the Minimum Capital and, therefore, would not be required to reduce its obligations in respect of principal and interest in accordance with this Condition 3(b)(i).

The Issuer shall forthwith give notice of any such reduction and/or reinstatement to the Noteholders and to the Trustee in accordance with Condition 13.

(ii) *Deferral of Interest*

The Issuer will not be 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 by a shareholders' meeting of the Issuer or paid in respect of any class of shares of the Issuer during the 12-month period ending on, but excluding, the second London Business Day (as defined in Condition 4.2(e)) immediately preceding such Interest Payment Date or (B) the Board of Directors of the Issuer has announced, at the time of the release of any interim accounts published during the six-month period ending

on, but excluding, the second London Business Day immediately preceding such Interest Payment Date, that, based on such interim accounts, no sums are available at such time for the payment of interim dividends, in accordance with Article 2433-*bis* of the Italian Civil Code.

Any such 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 amount 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 shares of the Issuer; (B) the date for repayment of the Upper Tier II Subordinated Notes; or (C) the date on which the *Liquidazione Coatta Amministrativa* of the Issuer is commenced pursuant to Article 83 of the Italian Banking Act or on which the Issuer becomes subject to a liquidation order.

The Issuer shall forthwith give notice of any such reduction and/or reinstatement to the Noteholders and to the Trustee in accordance with Condition 13.

(c) **Special Provisions relating to Tier III Subordinated Notes**

(i) *Lock-in*

(A) Tier III Subordinated Notes shall be subject to a lock-in clause (*clausola di immobilizzo*) pursuant to which the payment of the sums due by the Issuer with respect to principal and interest will be entirely suspended and deferred without such suspension and deferral constituting an Event of Default under Condition 9 if, at the time any such payment becomes due:

- I. any of such payments would reduce the Issuer's Total Amount of Regulatory Capital (*fondi patrimoniali*) (as defined below), either on a consolidated or unconsolidated basis, below the aggregate minimum credit risk (*rischio creditizio*) capital requirements of the Issuer as required by the then applicable Bank of Italy's Regulations; or
- II. the Issuer's Total Amount of Regulatory Capital (as defined below) is, either on a consolidated or unconsolidated basis, less than the aggregate minimum credit risk (*rischio creditizio*) capital requirements of the Issuer, as provided by the then applicable Bank of Italy's Regulations.

(B) For the purposes of the Tier III Subordinated Notes, the Issuer's Total Amount of Regulatory Capital is deemed to be equal to or more than the minimum credit risk (*rischio creditizio*) capital requirements of the Issuer, when the Issuer's Total Amount of Regulatory Capital, calculated on both a consolidated and unconsolidated basis, is equal to or more than the minimum credit risk capital requirements set out in the Bank of Italy's Regulations or in any provision which, from time to time, amends or replaces such definition.

(C) Any interest that the Issuer does not pay when due shall constitute, for the purposes of the Tier III Subordinated Notes, Arrears of Interest. Arrears of Interest not paid when due by the Issuer in accordance with Condition 3(c)(i) shall not bear interest in respect of the period to which a suspension or deferral under Condition 3(c)(i) applies.

**Total Amount of Regulatory Capital** means:

- (1) on an unconsolidated basis, the aggregate amount of the items stated and defined in (aa), (bb), (cc), (dd), (ee) and (ff) below and/or any additional replacement

and/or adjusted or other items, in each case which may from time to time be required to be included pursuant to any then applicable regulations of the Bank of Italy's Regulations for the purpose of calculating the Issuer's Total Amount of Regulatory Capital;

- (2) on a consolidated basis, the aggregate amount of the items listed in (1) above, calculated on a consolidated basis, according to the Bank of Italy's Regulations from time to time applicable;

where:

- (aa) means taken as a positive figure, the aggregate amount of the regulatory capital of the Issuer (*patrimonio di vigilanza*), calculated on an unconsolidated basis, as set forth in the then applicable Bank of Italy's Regulations;
- (bb) means taken as a positive figure, the aggregate amount of any indebtedness of the Issuer qualified by the Bank of Italy as Tier III Subordinated Capital (*passività subordinate di 3° livello*), intended to cover the minimum capital requirements for market risk, calculated on an unconsolidated basis (as currently defined in the Bank of Italy's Regulations or any provision which amends or replaces such definition) in accordance with the following sub-paragraph (cc) provided however that the amount of such indebtedness can only be included up to the absolute amount of the following paragraph (cc);
- (cc) means taken as a negative figure, the minimum capital requirements for market risk of the Issuer, calculated on an unconsolidated basis (as currently defined in the Bank of Italy's Regulations or any provision which amends or replaces such definition);
- (dd) means taken as a negative figure, the excess over the limit on the ownership of shareholdings in non-financial companies acquired by the Issuer following the recovery of credits (as currently defined in the Bank of Italy's Regulations or any provision which amends or replaces such definition);
- (ee) means taken as a negative figure, the excess over the limit on the ownership of the real estate acquired by the Issuer following the recovery of credits (as currently defined in the Bank of Italy's Regulations or any provision which amends or replaces such definition); and
- (ff) means taken as a negative figure, the additional specific capital requirements, if any, imposed on the Issuer by the Bank of Italy, to the extent not taken into account in sub-paragraphs (cc) to (ee) above.
- (ii) *Reinstatement of the Issuer's payment obligations*
- (A) The obligations of the Issuer to effect the payments of interest not paid and/or to repay principal not repaid, when respectively due, in accordance with Condition 3(c)(i) above, shall be reinstated and shall start to accrue in whole and as if the payment obligations of the Issuer had never been so suspended:
- I. in the event of a winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*, as described in Articles 80 to 94 of the Italian Banking Act) of the Issuer; or

- II. in the event that the Issuer's Total Amount of Regulatory Capital (as defined above) after the payment of interest and/or repayment of principal is, on both an unconsolidated and consolidated basis, equal to or more than the minimum aggregate credit risk (*rischio creditizio*) capital requirements of the Issuer, on both an unconsolidated and consolidated basis, as respectively required by the then applicable requirements of the Bank of Italy's Regulations.
- (B) Should (II) above occur, the reinstatement of the obligation to make the payments of interest not paid and/or to repay principal not repaid pursuant to Condition 3(c)(i) above, shall become effective on the first Interest Payment Date (or, if none, on the tenth Business Day) immediately following the date of receipt by the Bank of Italy of a Report (as defined below), according to which the Issuer's Total Amount of Regulatory Capital net of amounts to be paid in respect of interest and/or repayment of principal, on both a consolidated and unconsolidated basis or on an unconsolidated basis only, is equal to or more than the minimum aggregate credit risk (*rischio creditizio*) capital requirements under the then applicable Bank of Italy's Regulations.

If the payment of interest and/or the repayment of principal has been suspended pursuant to the provisions of Condition 3(c)(i), the reinstatement of the obligation to make payment and/or repayment in respect thereof shall, where there are insufficient amounts pursuant to the foregoing provisions to make full payment in respect thereof, be made in part as such amounts become so available pursuant to the foregoing provisions in the following order:

- I. payment of any Arrears of Interest (as defined above) (where not paid in full, Arrears of Interest shall be paid in the order in which it accrued);
- II. payment of interest otherwise due pursuant to Condition 4; and
- III. repayment of principal.

All payments to Noteholders of the same Series will be made on a *pro rata* basis.

In these Terms and Conditions:

**Report** means the report that the Issuer, under the Bank of Italy's Regulations, is required to send semi-annually to the Bank of Italy for the purpose of supervising the Issuer's compliance with minimum regulatory capital requirements, on both an unconsolidated and consolidated basis, as of 30 June and 31 December of each fiscal year for the purpose of these Terms and Conditions, neither or the quarterly report which Italian banks are currently required to submit for the purpose of supervising compliance with the minimum regulatory capital requirements only on an unconsolidated basis as of 30 March and 30 September of each fiscal year. For the purposes of these Terms and Conditions, no other report which the Bank of Italy may in the future require to be made will be taken into account.

The obligation to make payments shall not be reinstated until the Total Amount of Regulatory Capital net of amounts required to be paid in respect of interest and repayment of principal, on both an unconsolidated and consolidated basis, is equal to or more than the minimum aggregate credit risk (*rischio creditizio*) capital requirements under the then applicable Bank of Italy's Regulations.

- (C) If for any reason (including, but not limited to, merger or any other extraordinary transaction) the Issuer, in accordance with any applicable laws and regulations, ceases to be a member of a banking group, all references in this Condition 3(c) to

calculations based on consolidated figures of the Issuer will automatically cease to apply and calculations made on an unconsolidated basis shall apply.

(iii) *Status of Tier III Subordinated Notes*

In the event of winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*, as described in Articles 80 to 94 of the Italian Banking Act) of the Issuer, the payment obligations of the Issuer under the Tier III Subordinated Notes and the relative Receipts and Coupons will rank in right of payment *pari passu* with the payment obligations of the Issuer under the Lower Tier II Subordinated Notes (which will be satisfied together and *pro rata* with the payment obligations under the Tier III Subordinated Notes, without any preference or priority) and senior to the payment obligations of the Issuer under any Series of Upper Tier II Subordinated Notes.

## 4. INTEREST

### 4.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to the Calculation Amount, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 4.1:

- (a) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
  - (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

- (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
  - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
  - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (b) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In the Conditions:

**Determination Period** means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

**sub-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, one cent.

## 4.2 Interest on Floating Rate Notes and Index Linked Interest Notes

### (a) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in the Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 4.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall



be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, **Business Day** means a day which is both:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre specified in the applicable Final Terms; and
- (b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne and Wellington, respectively) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open.

**(b) Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.

*(i) ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Issuing and Paying Agent under an interest rate swap transaction if the Issuing and Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is either (a) if the applicable Floating Rate Option is based on the London interbank offered rate (**LIBOR**) or on the Euro-zone interbank

offered rate (**EURIBOR**), the first day of that Interest Period or (b) in any other case, as specified in the applicable Final Terms.

For the purposes of this subparagraph (i), **Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Issuing and Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Issuing and Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

(iii) If the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph the Issuing and Paying Agent shall request each of the Reference Banks to provide the Issuing and Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Issuing and Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Issuing and Paying Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Issuing and Paying Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Issuing and Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the

Issuing and Paying Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Issuing and Paying Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

**(c) Minimum Rate of Interest and/or Maximum Rate of Interest**

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

**(d) Determination of Rate of Interest and calculation of Interest Amounts**

The Issuing and Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Issuing and Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes or Index-Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to the Calculation Amount, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of all the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition:

- (i) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1) + (D_2 - D_1)]}{360}$$

Where:

**Y<sub>1</sub>** is the year, expressed as a number, in which the first day of the Interest Period falls;

**Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**M<sub>1</sub>** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

**M<sub>2</sub>** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**D<sub>1</sub>** is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

**D<sub>2</sub>** is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (vi) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1) + (D_2 - D_1)]}{360}$$

Where:

**Y<sub>1</sub>** is the year, expressed as a number, in which the first day of the Interest Period falls;

**Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

- M<sub>1</sub>** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;
- M<sub>2</sub>** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- D<sub>1</sub>** is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and
- D<sub>2</sub>** is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

(vii) if “30E/360 (ISDA)” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1) + (D_2 - D_1)]}{360}$$

Where:

- Y<sub>1</sub>** is the year, expressed as a number, in which the first day of the Interest Period falls;
- Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- M<sub>1</sub>** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;
- M<sub>2</sub>** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- D<sub>1</sub>** is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and
- D<sub>2</sub>** is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 in which case and D<sub>2</sub> will be 30.

**(e) Notification of Rate of Interest and Interest Amounts**

The Issuing and Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter (or in the case of such Notes admitted to the official list and traded on the Luxembourg Stock Exchange, notification shall be given to the Luxembourg Stock Exchange on the first day of each Interest Period). Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 13. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a

Sunday) on which banks and foreign exchange markets are open for general business in London.

**(f) Determination or Calculation by Trustee**

If for any reason at any relevant time the Issuing and Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Issuing and Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with subparagraph (b)(i) or subparagraph (b)(ii) above or as otherwise specified in the applicable Final Terms, as the case may be, and in each case in accordance with paragraph (d) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Issuing and Paying Agent or the Calculation Agent, as applicable.

**(g) Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2, whether by the Issuing and Paying Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error or proven error) be binding on the Issuer, the Issuing and Paying Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Issuing and Paying Agent or, if applicable, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

**4.3 Interest on Dual Currency Interest Notes**

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Final Terms.

**4.4 Interest on Partly Paid Notes**

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

**4.5 Accrual of interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

**5. PAYMENTS**

**5.1 Method of payment**

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of

the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne and Wellington, respectively); and

- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7.

## 5.2 Presentation of definitive Notes, Receipts and Coupons

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 5.1 above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 5.1 above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a

Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

### 5.3 Payments in respect of Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note (if such Global Note is not intended to be issued in NGN form) at the specified office of any Paying Agent outside the United States. On the occasion of each payment, (i) in the case of any Global Note which is not issued in new global note (NGN) form, a record of such payment made on such Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Agent, and such record shall be *prima facie* evidence that the payment in question has been made and (ii) in the case of any Global Note which is a NGN, the Agent shall instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

### 5.4 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

### 5.5 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 8) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:



- (i) the relevant place of presentation (if applicable);
  - (ii) London;
  - (iii) each Additional Financial Centre specified in the applicable Final Terms; and
- (b) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne and Wellington, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

## 5.6 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 7 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6.5); and
- (g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

## 6. REDEMPTION AND PURCHASE

### 6.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

**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 its minimum capital requirements (*patrimonio di vigilanza*) as prescribed in Title IV, Chapter I, Section II 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 Maturity 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 best endeavours to maintain such required minimum capital and to obtain such approval. Amounts**

**that would otherwise be payable on the Maturity Date will continue to bear interest as provided in the Trust Deed.**

## **6.2 Redemption for tax reasons**

The Notes may be redeemed at the option of the Issuer (but subject to the prior approval of the Bank of Italy in the case of Upper Tier II Subordinated Notes, Lower Tier II Subordinated Notes and Tier III Subordinated Notes) in whole, but not in part, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Trustee and the Issuing and Paying Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 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.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept the Certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 6.2 will be redeemed at their Early Redemption Amount referred to in Condition 6.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

## **6.3 Redemption at the option of the Issuer (Issuer Call)**

If Issuer Call is specified in the applicable Final Terms, the Issuer may (subject to the prior approval of the Bank of Italy in the case of Upper Tier II Subordinated Notes, Lower Tier II Subordinated Notes and Tier III Subordinated Notes), having given:

- (a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 13; and
- (b) not less than 15 days before the giving of the notice referred to in (a) above, notice to the Trustee and to the Issuing and Paying Agent;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum

Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount at their discretion), in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 at least five days prior to the Selection Date.

#### **6.4 Redemption at the option of the Noteholders (Investor Put)**

*This Condition 6.4 applies only to Notes specified in the applicable Final Terms as Senior Notes.*

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 13 not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Issuing and Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or, as the case may be, common safekeeper for them to the Issuing and Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note which has not been issued in NGN form, at the same time present or procure the presentation of the relevant Global Note to the Issuing and Paying Agent for notation accordingly.

Any Put Notice given by a holder of any Note pursuant to this Condition 6.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 9, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6.4.

## 6.5 Early Redemption Amounts

For the purpose of Condition 6.2 above and Condition 9, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (b) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (c) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

**RP** means the Reference Price;

**AY** means the Accrual Yield expressed as a decimal; and

**y** is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

## 6.6 Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 6.5.

## 6.7 Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

## 6.8 Purchases

The Issuer or any Subsidiary of the Issuer may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

## 6.9 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 6.8 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Issuing and Paying Agent and cannot be reissued or resold.

## 6.10 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6.1, 6.2, 6.3 or 6.4 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6.5(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Issuing and Paying Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 13.

## 7. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) presented for payment in the Republic of Italy; or
- (b) presented for payment by, or on behalf of, a holder of a Note, Receipt or Coupon being a resident in the Republic of Italy; or
- (c) to the extent that interest or any other amount payable is paid to a non-Italian resident entity or a non-Italian resident individual which is resident for tax purposes in a country which does not allow the Italian tax authorities to obtain an adequate exchange of information in respect of the beneficiary of the payments made from Italy; or
- (d) in all circumstances in which the requirements and procedures set forth in Legislative Decree No. 239 (as amended or supplemented from time to time) have not been met or complied with except where such requirements and procedures have not been met or complied with due to the actions or omissions of the Issuer or its agents; or
- (e) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 5.5); or
- (f) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or comply with, or introduced in order to conform, to, such Directive; or
- (g) presented for payment by or on behalf of a holder who would be 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
- (h) in respect of any Notes having an original maturity (for these purposes, **original maturity** shall be the period from, and including, the Issue Date to, but excluding, the Maturity Date, each as

specified in the applicable Final Terms) of less than 18 months where such withholding or deduction is required by law.

As used herein:

- (i) **Tax Jurisdiction** means the Republic of Italy or in either case, any political subdivision or any authority thereof or therein having power to tax; and
- (ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Issuing and Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13.

## 8. PRESCRIPTION

The Notes, Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5.2 or any Talon which would be void pursuant to Condition 5.2.

## 9. EVENTS OF DEFAULT AND ENFORCEMENT

### 9.1 Events of Default relating to Senior Notes

The Trustee at its discretion may, and if so requested by the holders of at least one-quarter in nominal amount of the Senior Notes then outstanding or if so directed by an Extraordinary Resolution of the holders of the Senior Notes shall (subject in each case to being indemnified to its satisfaction), give notice to the Issuer that the Senior Notes are, and they shall accordingly thereupon immediately become, due and repayable at the Early Redemption Amount (as described in Condition 6.5), together with accrued interest (if any) as provided in the Trust Deed if any one or more of the following events (each an **Event of Default**) shall occur and is continuing:

- (a) default for a period of more than 10 Business Days (as defined in Condition 4.2 (a)) in the payment of any principal or interest due in respect of any Note; or
- (b) default in the performance by the Issuer of any of its obligations (other than the obligations to pay principal or interest in respect of the Notes) under the Trust Deed or the Notes (i) which is, in the opinion of the Trustee, incapable of remedy or in respect of which, in the opinion of the Trustee, remedial action satisfactory to the Trustee cannot be taken or (ii) which, being a default which is, in the opinion of the Trustee, capable of remedy or in respect of which, in the opinion of the Trustee, such remedial action can be taken, continues for 30 days (or such longer period as the Trustee may permit) after the Trustee has given written notice to the Issuer requiring such default to be remedied; or
- (c) default by the Issuer in the payment of the principal of, or premium or repayment charge (if any) or interest on, any External Debt of or assumed by the Issuer, as the case may be, when and as the same becomes due and payable, if such default continues for more than the period of grace, if any, originally applicable thereto or in the event that any External Debt of or assumed by the Issuer becomes repayable before the due date thereof as a result of acceleration of maturity caused by the occurrence of an event of default thereunder, or any default in payment in respect of any guarantee or indemnity given by the Issuer in respect of any External Debt provided that no event described in this Condition 9.1(c) shall constitute an Event of Default unless the External Debt either alone or when aggregated with other External Debt and/or other liabilities relative to all (if any) other events referred to in this Condition 9.1(c)

which shall have occurred and be continuing shall amount to at least €30,000,000 (or its equivalent in any other currency). For this purpose **External Debt** means any indebtedness owed to or, as the case may be, for the benefit of a person who is not a resident in the Republic of Italy; or

- (d) the Issuer stops or suspends or threatens to stop or suspend payment of all or a material part of its debts or ceases to carry on its business or a material part thereof; or
- (e) an order is made or a resolution is passed for the dissolution or winding-up of the Issuer; or
- (f) the Issuer makes a conveyance or assignment for the benefit of, or enters into a composition or other arrangement with, its creditors generally, files a petition for a suspension of payments, admits in writing that it cannot pay its debts generally as they become due, initiates a proceeding in bankruptcy, insolvency or other similar laws, is adjudicated bankrupt or insolvent, a receiver or similar official is appointed in relation to, or over the whole or any part of the assets or undertaking of, the Issuer, proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, an encumbrancer takes possession of the whole or any part of the assets or undertaking of the Issuer or a distress or execution or other process is levied or enforced upon or sued out against the whole or any material part of the assets of the Issuer.

Provided that, in the case of any Event of Default other than those described in paragraphs (a) and (e) above, the Trustee shall have certified to the Issuer that, in its opinion, such Event of Default is materially prejudicial to the interest of the Noteholders.

## 9.2 Events of Default relating to Subordinated Notes

The Trustee at its discretion may, and if so requested by the holders of at least one-quarter in nominal amount of the Subordinated Notes then outstanding or if so directed by an Extraordinary Resolution of the holders of the Subordinated Notes shall (subject in each case to being indemnified to its satisfaction), give notice to the Issuer that the Subordinated Notes are, and they shall accordingly thereupon immediately become, due and repayable at the Early Redemption Amount (as described in Condition 6.5), together with accrued interest (if any) as provided in the Trust Deed in the event of the winding-up or liquidation of the Issuer other than for the purposes of an Approved Reorganisation.

For the purpose of this Condition 9.2, **Approved Reorganisation** means an amalgamation, merger or reconstruction on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the holders of the Subordinated Notes.

No remedy against the Issuer other than as specifically provided by this Condition 9.2, Condition 9.3 or the Trust Deed shall be available to the Trustee or to the holders of the Subordinated Notes and the relative Receipts or Coupons, whether for the recovery of amounts owing under the Trust Deed, in respect of the Subordinated Notes and the relative Receipts or Coupons or in respect of any breach by the Issuer of any of its obligations under the Trust Deed, the Subordinated Notes and the relative Receipts or Coupons or otherwise.

## 9.3 Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified to its satisfaction.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

## **10. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS**

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Issuing and Paying Agent or the Paying Agent in Luxembourg upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

## **11. PAYING AGENTS**

The names of the initial Paying Agents and their initial specified offices are set out below.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (a) there will at all times be an Issuing and Paying Agent and a Paying Agent with its specified office in a country outside the relevant Tax Jurisdiction;
- (b) so long as the Notes are listed on any Stock Exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in the place required by the rules and regulations of the relevant Stock Exchange or any other relevant authority; and
- (c) the Issuer undertakes that there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent approved by the Trustee having a specified office in New York City in the circumstances described in Condition 5.4. Any variation, termination, appointment or change shall only take effect with the prior written approval of the Trustee (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 13.

Notification of any change in the Paying Agents or the Calculation Agent or their specified offices will be made in accordance with Condition 13.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

## **12. EXCHANGE OF TALONS**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8.

## **13. NOTICES**

All notices regarding the Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in London, and (b) if and for so long as the Notes are admitted to trading on, and listed on the Official List of the Luxembourg Stock Exchange and the rules of that exchange so require, a daily newspaper of general circulation in Luxembourg and/or the Luxembourg



Stock Exchange's website (*www.bourse.lu*). It is expected that any such publication in a newspaper will be made in the *Financial Times* in London and the *Luxemburger Wort* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve. Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Issuing and Paying Agent or the Paying Agent in Luxembourg. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Issuing and Paying Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Issuing and Paying Agent, the Trustee and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

#### **14. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION**

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Trustee, is proven. Any such modification shall be

binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 7 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

The Trustee may, without the consent of the Noteholders, Receiptholders or Couponholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute) as the principal debtor under the Notes, the Receipts, the Coupons and the Trust Deed, of the Issuer or its Successor in Business (as defined in the Trust Deed) or any Subsidiary of the Issuer or of its Successor in Business subject, in the case of the substitution of a Subsidiary of the Issuer, to the unconditional and irrevocable guarantee of the Issuer being given in respect of the Notes, to the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced thereby and to certain other conditions set out in the Trust Deed being complied with.

#### **15. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of its Subsidiaries and/or its Successor in Business and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of its Subsidiaries and/or its Successor in Business, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

#### **16. FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

#### **17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **18. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### **18.1 Governing law**

The Trust Deed, the Agency Agreement, the Notes (except for Condition 3), the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law. Condition 3 is governed by, and shall be construed in accordance with, Italian law.

### **18.2 Submission to jurisdiction**

The Issuer irrevocably agrees, for the benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons) and accordingly submits to the exclusive jurisdiction of the English courts.

The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Trustee, the Noteholders, the Receiptholders and the Couponholders, may take any suit, action or proceedings (together referred to as **Proceedings**) arising out of or in connection with the Trust Deed, the Notes, the Receipts and the Coupons (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts and the Coupons) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

### **18.3 Appointment of process agent**

The Issuer has, in the Trust Deed, appointed The Italian Chamber of Commerce and Industry for the UK at its registered office for the time being at 1 Princes Street, London W1B 2AY, United Kingdom as its agent for service of process, and undertakes that, in the event of The Italian Chamber of Commerce and Industry for the UK ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes, which include making a profit. If, in respect of any particular issue of Notes which are derivative securities for the purposes of Article 15 of the Commission Regulation No 809/2004 implementing the Prospectus Directive, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

## CAPITALISATION OF THE ISSUER

The table below sets forth the consolidated capitalisation of the Issuer and its consolidated subsidiaries as at 31 December, 2009 and 2008, which has been extracted without material adjustment from and should be read in conjunction with the consolidated financial statements of the Issuer incorporated by reference herein.

	<i>As at 31 December,</i>	
	<u>2009</u>	<u>2008</u>
	<i>(millions of Euro)</i>	
<b>Subordinated Debt:</b>		
Subordinated liabilities (Lower Tier II) .....	1,370	1,374
Subordinated liabilities (Upper Tier II and Tier I).....	476	690
<b>Total medium- and long-term debt</b> .....	<b><u>1,846</u></b>	<b><u>2,064</u></b>
Minority interests .....	129	136
<b>Shareholders' Equity</b>		
Share capital and additional paid-in capital (net of treasury shares).....	1,839	1,838
Revaluation reserves.....	6	(33)
Retained earnings and other reserves.....	1,944	1,372
Net income .....	104	75
<b>Total shareholders' equity</b> .....	<b><u>3,893</u></b>	<b><u>3,252</u></b>
<b>Total capitalisation</b> .....	<b><u>5,868</u></b>	<b><u>5,452</u></b>

In accordance with the Bank of Italy's regulations set out in *Circolare no. 263/2006*, as amended, the subordinated debts are computed in the Group capitalisation.

## CAPITAL ADEQUACY

The Bank of Italy has adopted risk-based capital ratios (**Capital Ratios**) pursuant to the EC capital adequacy directives. The Capital Ratios set forth core (Tier I) and supplemental (Tier II) capital requirements relative to a bank's assets and certain off-balance sheet items weighted according to risks (**Risk-Weighted Assets**).

The Bank (as *Capogruppo*, or the Group's parent company) calculates and reports its Capital Ratios on a consolidated basis. In accordance with Bank of Italy regulations, the Group is required to maintain a Total Capital Ratio of at least 8.0 per cent.

The following table sets forth the Tier I and Tier II capital levels and the relative ratios of the Group as at 31 December, 2009 and 2008.

	<i>As at 31 December,</i>	
	<i>2009</i>	<i>2008</i>
	<i>(millions of Euro)</i>	
<b>Tier I Capital</b>		
<i>Positive Elements:</i>		
Share capital .....	1,709	1,710
Reserves .....	1,468	1,432
Paid in capital .....	237	237
Preferred securities .....	263	408
Positive prudential filters .....	500	0
<b>Total positive elements</b> .....	<b>4,177</b>	<b>3,787</b>
<i>Negative Elements:</i>		
Treasury .....	9	10
Goodwill .....	849	767
Other intangible assets .....	182	139
Other .....	4	0
Negative prudential filters .....	98	153
<b>Total negative elements</b> .....	<b>1,142</b>	<b>1,069</b>
<b>Deductions: 50% participation in banking and financial institutions of more than 10%</b> .....	<b>84</b>	<b>90</b>
<b>Total Tier I Capital</b> .....	<b>2,951</b>	<b>2,628</b>
<b>Tier II Capital</b>		
<i>Positive Elements:</i>		
Subordinated liabilities.....	1,333	1,347
Hybrid equity instruments .....	159	171
Revaluation reserve .....	24	17
Preferred securities not included on Tier I capital .....	0	46
Profits on equity investments .....	0	0
Loan loss allowance .....	0	0
Positive prudential filters .....	0	0
<b>Total positive elements</b> .....	<b>1,516</b>	<b>1,581</b>
<i>Negative Elements:</i>		
Losses on securities and equity investments .....	0	0
Loan losses .....	0	0
Negative prudential filters .....	4	1
<b>Total negative elements</b> .....	<b>4</b>	<b>1</b>

	<i>As at 31 December,</i>	
	<u>2009</u>	<u>2008</u>
	<i>(millions of Euro)</i>	
<b>Deductions: 50% participation in banking and financial institutions of more than 10%</b> .....	84	90
<b>Total Tier II Capital</b> .....	<b>1,428</b>	<b>1,490</b>
<b>Deductions:</b>		
Participation in insurance institutions .....	56	44
<b>Total Capital (Own funds)</b> .....	<b>4,232</b>	<b>4,074</b>
<b>Tier III Subordinated Liabilities</b> .....	0	0
<b>Total Capital adjusted by Tier III subordinated liabilities</b> .....	<b>4,323</b>	<b>4,074</b>
<b>Total risk-weighted assets</b> .....	<b>34,238</b>	<b>34,317</b>
Equity coverage for credit risk .....	2,439.4	2,460.2
Equity coverage for market risks .....	60.0	61.5
Equity coverage for operational risks.....	239.5	223.6
<b>Capital Adequacy Ratios</b>		
<b>Tier I capital ratio</b> .....	<b>8.62%</b>	<b>7.66%</b>
<b>Total capital ratio</b> .....	<b>12.63%</b>	<b>11.87%</b>

## SELECTED CONSOLIDATED FINANCIAL DATA

The information set out in this Offering Circular on the Group has been derived from and should be read in conjunction with, and is qualified by reference to, the consolidated financial statements of the Group as at and for the years ended 31 December, 2009 and 2008, which were audited by Reconta Ernst & Young S.p.A. and are incorporated by reference into this Offering Circular.

The consolidated financial statements have been prepared in accordance with the international financial reporting and accounting standards (**IFRS**) issued by the International Accounting Standards Board (**IASB**) and with the related interpretations by the International Financial Reporting Interpretations Committee (**IFRIC**), as adopted by the European Commission pursuant to EC Regulation 1606 of 19 July, 2002. This regulation requires international accounting and financial reporting standards to be used for preparing the consolidated financial statements of listed companies starting from 2005.

So long as any of the Notes remain outstanding, copies of the above-mentioned consolidated financial statements will be made available at the office of the Principal Paying Agent and the Paying Agent in Luxembourg and at the registered office of the Bank, in each case free of charge.

The statistical information presented herein may differ from information included in the historical consolidated financial statements and interim financial reports. In certain cases, the financial and statistical information is derived from financial and statistical information reported to the Bank of Italy or from internal management reporting.

Most of the statistical information is presented on a consolidated basis as the Bank's total assets accounted for 74 per cent. of the Group's total assets on a consolidated basis at 31 December, 2009.



## Annual Financial Statements

The following tables present information derived from the consolidated balance sheet and profit and loss accounts and other selected financial and statistical information on the Bank as at and for the periods ended 31 December, 2009 and 2008.

	<i>For the years ended 31 December,</i>	
	<u>2009</u>	<u>2008</u>
	<i>(millions of Euro)</i>	
<b>Income Statement Data:</b>		
Net financial income .....	885	1,068
Net fee and commission income .....	647	517
Net profit (loss) on equity investments (accounted by the equity method).....	(1)	2
Dividends and similar income .....	167	179
Net income form financial activities .....	127	(210)
Other operating income/(charges) .....	35	57
<b>Operating income</b> .....	<b>1,860</b>	<b>1,613</b>
Administrative expenses: .....	(1,177)	(1,008)
<i>a) staff costs</i> .....	(848)	(692)
<i>b) other administration and general expenses</i> .....	(329)	(316)
Net adjustments to property, plant and equipment and intangibles .....	(84)	(73)
<b>Operating costs</b> .....	<b>(1,261)</b>	<b>(1,081)</b>
<b>Net Operating income</b> .....	<b>599</b>	<b>532</b>
Net impairment adjustments of loans and financial assets .....	(365)	(239)
Net provisions for risks and charges .....	(17)	(35)
Profit (loss) from equity investment and investments .....	0	(45)
<b>Profit (loss) before taxes and minority interests</b> .....	<b>217</b>	<b>213</b>
Income Taxes on current operations.....	(114)	(130)
<b>Net Profit (loss) for the period</b> .....	<b>103</b>	<b>83</b>
Minority interests .....	1	(8)
<b>Net profit (loss) for the period pertaining to the parent bank</b> .....	<b>104</b>	<b>75</b>

	<i>As at 31 December,</i>	
	2009	2008
	<i>(millions of Euro)</i>	
<b>Balance Sheet Data:</b>		
<b>Assets</b>		
Cash and balances with central banks .....	652	253
Financial assets at fair value and hedging derivatives: .....	4,358	5,362
<i>Financial assets held for trading</i> .....	1,607	2,348
<i>Financial assets designated at fair value through profit and loss</i> .....	869	866
<i>Financial assets available for sale</i> .....	1,797	1,995
<i>Hedging derivatives</i> .....	85	153
Loans and advances to banks .....	3,201	3,476
Loans and advances to customers .....	32,852	32,899
Fixed assets .....	1,908	1,778
Other assets .....	1,310	1,271
<b>Total assets</b> .....	<b>44,281</b>	<b>45,039</b>
<b>Liabilities and Shareholders' Equity</b>		
Due to banks .....	1,754	3,474
Due to customers .....	22,162	20,518
Debt securities issued .....	12,012	12,010
Financial liabilities and hedging derivatives: .....	2,586	3,659
<i>Financial liabilities held for trading</i> .....	954	1,120
<i>Financial liabilities designated at fair value through profit and loss</i> .....	1,629	2,537
<i>Hedging derivatives</i> .....	3	2
Other liabilities .....	1,251	1,539
Provisions for specific use .....	494	451
Shareholders' equity .....	3,789	3,177
Minority Interests .....	129	136
<b>Net Profit (loss) for the period</b> .....	<b>104</b>	<b>75</b>
<b>Total liabilities and Shareholders' Equity</b> .....	<b>44,281</b>	<b>45,039</b>

	<i>As at 31 December,</i>	
	2009	2008
	<i>(millions of Euro)</i>	
<b>Financial Ratios:</b>		
Net profit/(equity - net profit) (ROE).....	2.7%	2.4%
Net profit/total assets (ROA) .....	0.2%	0.2%
Loans and advances to customers/total assets .....	74.2%	73.0%
Non-current assets/total assets .....	4.3%	3.9%
Direct deposits/total assets .....	80.9%	77.9%
Cost income ratio <sup>(1)</sup> .....	67.8%	67.0%
<b>Asset Quality:</b>		
Bad loans, gross .....	765	567
Allowances for bad loans .....	420	371
Bad loans, net .....	345	196
Ratio of allowance for bad loans to bad loans .....	54.9%	65.5%
Ratio of bad loans, gross to total customer loans .....	2.3%	1.7%
Total impaired loans, gross.....	2,376	1,300
Total allowances for impaired loans.....	635	530
<b>Capital Adequacy:</b>		
Tier I capital .....	2,951	2,628
Total capital .....	4,323	4,074
<b>Capital Ratios:</b>		
Tier I capital ratio .....	8.62%	7.66%
Total capital ratio .....	12.63%	11.87%
Shareholders' equity to total assets .....	8.79%	7.22%
<b>Selected Off-Balance Sheet Data:</b>		
Asset under management <sup>(2)</sup> .....	25,488	15,979
Asset in custody <sup>(3)</sup> .....	20,245	19,488

(1) Cost includes the value adjustments to tangible and intangible fixed assets.

(2) At market value, excluding duplications; data for retail customers.

(3) At market value, data for retail customers.

## DESCRIPTION OF THE ISSUER

### General

Banca Popolare di Milano S.C.a r.l. (the **Bank** or **BPM**) is the parent company of the group “Bipiemme – Banca Popolare di Milano” (the **Group**), a leading Northern Italian banking group. The Group operates mainly in the region of Lombardy (where 61.41 per cent. of its branches are located as at 31 December, 2009), and has also has an important presence in the regions of Emilia Romagna, Piedmont, Lazio and Puglia, in which it limits its activities to specific provinces where it maintains important market shares. The Group predominantly provides commercial banking services for both retail and small and medium-sized corporate customers (**SMEs**) and, in addition, offers its customers capital markets services, brokerage services, debt and equity underwriting, asset management, insurance underwriting and sales, leasing and factoring services.

As at 31 December, 2009, the Group had total assets of Euro 44,281 million (Euro 45,039 million as at 31 December, 2008), a net customer loan portfolio of Euro 32,852 million (Euro 32,899 million as at 31 December, 2008), Euro 35,803 million in customer deposits and securities issued (Euro 35,064 million as at 31 December, 2008) and Euro 3,893 million in shareholders’ equity (Euro 3,252 million as at 31 December, 2008).

As at 31 December, 2009, the Group had 793 retail Italian branches, including 14 corporate banking centres, the virtual branch of WeBank and 15 Private Centres, located in 13 of the 20 regions of Italy. The headquarters of the Group is located at Piazza Filippo Meda 4, Milan, Italy. The telephone number of the Bank is +39 02 77001.

The Bank was incorporated as a *Società Cooperativa a responsabilità limitata* (S.C.a r.l.), a limited liability co-operative company, on 12 December, 1865 and has a duration until 23 December, 2100. The Bank is registered with the Commercial Registry of Milan under number 00715120150 and with the “*Albo delle Società cooperative*” under number A109641.

In May 1994, the ordinary shares of the Bank were listed on the *Mercato Telematico Azionario*, the Italian screen-based dealer market, as part of an increasing effort to diversify and internationalise its investor base. As at 31 December, 2009, the authorised and issued share capital of the Bank was Euro 1,660,136,924 comprised of 415,034,231 ordinary shares with a nominal value of Euro 4 per ordinary share. Due to its organisation as a limited liability “co-operative” company, the ordinary shares of the Bank are widely held, and a significant number of the Bank’s shareholders are employees and customers. As at 31 December, 2009, the Bank had about 96,700 shareholders, of which only about 50,800 were registered members with voting rights.

The Bank’s corporate purposes, as provided by Articles 5 and 6 of its by-laws, are the granting of credit to its members through co-operation and the acceptance of deposits, together with carrying out own- or client-account banking transactions and providing banking services of all kinds, although strictly excluding operations of a purely speculative nature. In granting credit, the Bank gives preference to its members and to small loans. The Bank may engage in any banking, financial or intermediation transaction or service, subject to obtaining any necessary official approvals and to its compliance with relevant legislation; it may also undertake any other operation that is conducive or otherwise related to achieving its objects.

The Bank was established by members of the Milan community to promote savings in the community and provide banking services to support customers’ business activities. The Bank continued as a community bank through to the end of World War II when it began to extend its presence beyond Milan, principally through the acquisition of controlling interests in a number of other local co-operative Italian banks, including Banca Popolare di Roma (acquired in 1957, one branch), Banca Popolare Cooperativa Vogherese (acquired in 1979, five branches), Banca Popolare di Bologna e Ferrara (acquired in 1988, 24 branches) and Banca Popolare di Apricena (acquired in 1989, 25 branches).

As part of the continuing strategy to increase its presence in the region of Lombardy, the Group acquired controlling interests in Banca Briantea in 1960, a regional bank with operations in the provinces of Como and Bergamo, and Banca Agricola Milanese in 1986, a regional bank with operations in the province of Milan. In November 1997, the Group merged these two banks into the Bank. In March 1998, the Group acquired 83.5 per cent. of the equity securities of Banca 2000 (formerly INA Banca Marino S.p.A.) in order to increase the Group's presence in Rome. Banca 2000 merged with the Bank in 1999.

In accordance with its aim to strengthen the presence of the Group in the financial sector, in the second half of 1998, the Bank acquired the entire share capital of Banca Akros S.p.A., an investment bank carrying out investment and private banking business with domestic and foreign institutions, high profile enterprises and private clients of high net worth.

In 2001, the Bank completed the acquisition of Banca di Legnano S.p.A. (**BL**), a regional bank with a dominant presence in the northern part of the province of Milan and in the province of Varese. Founded in 1887 to serve local business, BL has since consolidated its position as a primary local retail bank servicing private customers and SMEs.

In September 2004, the Bank completed the merger of Carinord 1 S.p.A., which controlled 80 per cent. of Cassa di Risparmio di Alessandria (**CRA**), a regional bank located in the regions of Piedmont and Liguria. CRA is a bank deeply rooted in its historical territory of Alessandria, close and complementary to the network of the Bank.

On 23 December, 2008, Banca Popolare di Lodi S.p.A. (Banco Popolare Group) and Banca Popolare di Milano signed an agreement for the purchase/sale of 403,515 Banca Popolare di Mantova S.p.A. (**BP Mantova**) ordinary shares (equal to 56.99 per cent. of the bank's share capital).

BP Mantova is based in the province of Mantova with 9 branches and total assets of Euro 380.0 million at 31 December, 2009.

In connection with the UniCredit Group's disposal of 184 branches to 12 banks, Banca Popolare di Milano purchased, at the end of 2008, 39 branches located in the provinces of Rome (28), Bologna (7) and Verona (4).

The Bank, which is the Group's largest operating entity, is the parent company of the Group and as such is responsible for ensuring the strategic direction, defining the objectives of individual subsidiaries, providing operational support, monitoring the risks and maintaining the relationship with the Bank of Italy. The Group comprises commercial banks (the Bank, BL, CRA, BP Mantova and the online bank WeBank) and other companies which offer specialised business services, including investment banking (Banca Akros and BPM Ireland) and asset management (Anima SGR S.p.A., Akros Alternative Investments SGR S.p.A., BPM Fund Management Ltd).

In March 2009 the Bank finalised the acquisition of Anima SGR S.p.A. (**Anima**), a leading Italian "independent" asset management firm in terms of assets under management, specialising in the management of mutual funds.

With a view to reorganising the activities of the BPM Group in the field of asset management and to exploit the greater growth potential by taking advantage of economies of scale and scope, on 26 June, 2009 the Boards of Directors of Bipiemme Gestioni SGR (**Bipiemme Gestioni**) and Anima, both subsidiaries, agreed to a plan for Bipiemme Gestioni to absorb Anima.

The new company Anima SGR S.p.A. (**Anima SGR**), has assets under management as at 31 December, 2009 of Euro 24.5 billion, of which Euro 16.2 billion in open-ended funds and Euro 4.9 billion in individual managed portfolios, ranking 4th in the open-ended fund sector with a market share of 4.2 per cent.

This operation is a key element in the process of rationalising the BPM Group's asset management activities. It will help reinforce the strategic and competitive positioning of Anima, which continues with its mission as a specialist operator in the asset management market. The merger led to a simplification and

integration of these activities from both an operational and a decision-making point of view, while at the same time improving the quality of customer service.

In March 2009 the Board of Directors of the Bank approved the plan to expand the consumer credit business by acquiring a company operating in that sector. To this end, in November 2009 the Bank acquired the entire share capital of Lux Finance srl, which changed its name to ProFamily. The Group's 2010-2012 Strategic Plan provides for ProFamily to take on an important role in the consumer credit market in Italy, by means of direct management of products distributed via the Group's branches, a new network based on some direct branches and gradual activation of money shops manned by sole agents.

In November 2009 the Bank concluded the transformation of We@Service S.p.A. into an online bank with the start of operations and change of the company name into WeBank S.p.A. (**WeBank**). The company is wholly owned by the Bank. The new entity, which focuses on acquiring new online customers by offering a complete banking service and on the provision of internet banking services for the Group's territorial banks, at 31 December, 2009 had more than 430,000 customers, including 45,000 purely online.

In July 2009, the Bank bought 100 per cent. of IntesaTRADE SIM S.p.A. (**IntesaTrade SIM**), from Intesa Sanpaolo S.p.A. (online trading) with a view to extending and completing the range of financial investment services and products offered by the Group through its online channel. At 31 December, 2009, the funds under administration of the company were more than one billion euro, the shareholders' equity equaled to Euro 32.3 million (with a net profit of more than Euro 1.3 million), the customers (mainly "heavy traders") were 31,000 and the orders executed during the year were approximately 2.6 million.

The complementary nature of the services offered by WeBank and IntesaTrade SIM, renamed WeTrade SIM, has created one of the most important operators on the Italian online finance market that covers all of the customer's needs by combining ten years of experience in their respective market segments.

In March 2010, the Board of Directors of Banca Popolare di Milano decided to merge WeTrade SIM with WeBank in order to carry out another phase of reinforcement and development of this business activity, achieving, *inter alia*, a relevant company consolidation that will permit the achievement of important structural rationalisation and cost synergies.

### ***Recent Developments***

On 23 December, 2009, Banca Popolare di Milano and Milano Assicurazioni S.p.A. (**Milano Assicurazioni**) formally agreed to resolve their partnership in the bancassurance sector which was created in 2005.

The agreement approved by the respective Boards of Directors envisaged Banca Popolare di Milano repurchasing the 51 per cent. interest in Bipiemme Vita S.p.A. held by Milano Assicurazioni.

Banca Popolare di Milano and Milano Assicurazioni, which jointly decided to early terminate the partnership agreement due to the different strategies for the development of their respective groups, will however continue to collaborate in various areas of their business activity.

The shareholding was transferred in June 2010, following the approval of the competent authorities for an amount equal to Euro 113,4 million.

It is the intention of Banca Popolare di Milano to form a new bancassurance alliance with another leading insurance partner.

On 19 January, 2010, the Board of Directors of Banca Popolare di Milano decided to merge Bipiemme Private Banking SIM SpA with the Bank.

The merger is part of a wider reorganisation of the private banking business that is aimed at introducing a new financial advisory model that ensures a consistent and unified approach to all private banking customers of the Group, respecting at the same time the peculiarities of the various segments.

On 25 February, 2010 the Boards of Directors of the Bank, together with Banca Popolare di Sondrio (Soc. Coop. p.a. (**Banca Popolare di Sondrio**)) resolved to jointly purchase from the Banco Popolare Group

90.5 per cent. of Factorit S.p.A. Factorit S.p.A is a wholly-owned subsidiary of the Banco Popolare Group, which operates in the factoring and collection of trade receivables and related services, providing support to the corporate world by financing and collecting domestic and international receivables, and is the fourth largest Italian operator in this sector.

The agreement provides for Banca Popolare di Sondrio acquiring control of the company with a 60.5 per cent. interest, Banca Popolare di Milano buying 30 per cent. and the other 9.5 per cent. remaining with the Banco Popolare Group. This arrangement reflects the intention of the three co-operative banks to each have their own factoring company able to compete on the market.

The price was determined by the parties on the basis of the net equity resulting from the 2009 annual financial statements of the company, namely Euro 170 million; this means equates to a cost of Euro 51 million for BPM. On 29 July, 2010, after obtaining the authorisations required by law, the transaction was completed.

On 20 July, 2010 the Bank reached an agreement with Banca Monte dei Paschi di Siena, Clessidra SGR, via Lauro Quarantadue S.p.A., on behalf of the Clessidra Capital Partners II fund, upon the text of a memorandum of understanding for the development of a strategic alliance in asset management, with a view to creating the largest independent asset manager in Italy and one of the largest in Europe. The project is aimed at the integration of the asset management companies Anima SGR and Prima SGR which, as at 31 March 2010, managed over Euro 41 billion worth of volumes with a cumulative distribution network of over 4,000 bank branches and approximately 200 agreements with placement agents.

The transaction is expected to be effected through Prima Holding, a joint-venture between Banca Monte dei Paschi di Siena and Clessidra, the latter via Lauro Quarantadue S.p.A. on behalf of the Clessidra Capital Partners II fund. Prima Holding owns the entire share capital of Prima SGR.

In particular, the transaction entails the BPM Group's disposal to Prima Holding of its entire shareholding in Anima SGR and BPM's concomitant participation in the share capital of Prima Holding. Upon conclusion of the transaction, Prima Holding will have stakes held by Clessidra via Lauro Quarantadue S.p.A., on behalf of the Clessidra Capital Partners II fund, as well as by the two afore-mentioned banking groups, with shareholding percentages currently being defined which, however, will not give rise to any form of control and/or joint control by the investors.

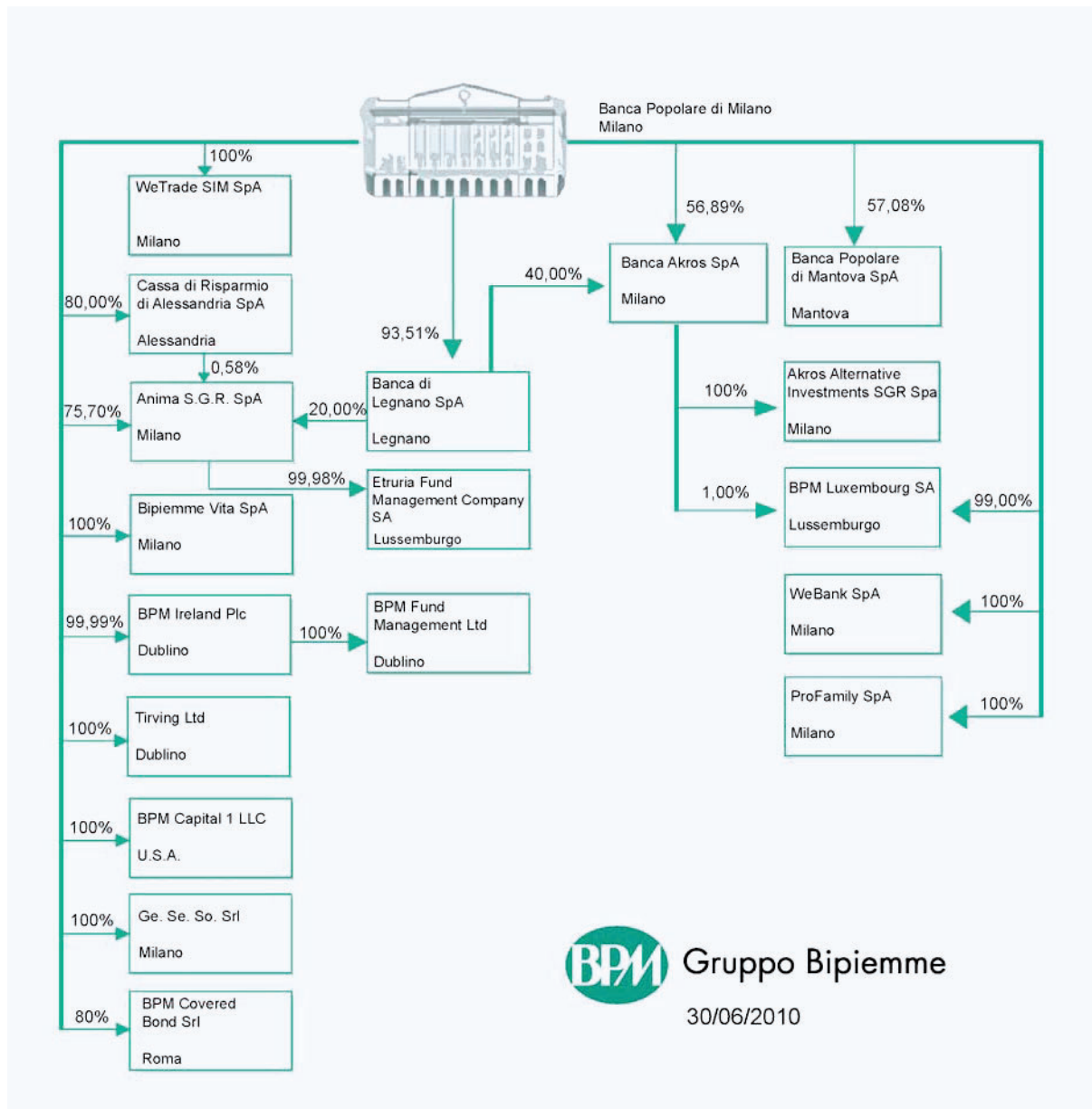
For the purpose of the BPM Group's entry into Prima Holding's share capital – to be obtained through the afore-mentioned disposal for a consideration of Euro 400 million and by way of a capital increase not exceeding Euro 200 million – the valuations of Anima SGR and Prima SGR used as a base for the transaction were Euro 400 million and Euro 626 million respectively.

The Parties are expected to define the contents of the contractual documentation subject to prior completion of due diligence in as short a time as possible to allow the transaction to be executed by the end of the current year. The transaction is subject to regulatory approvals.

On 16 July, 2010 Tax Authorities delivered to the Bank a preliminary assessment regarding structured operations carried out by the Bank in 2005. This document follows a tax audit on such operations performed by the Group in 2004-2007, which had already resulted in a preliminary assessment regarding 2004. The overall amount of the items being contested by the Tax Authorities through these preliminary assessments comes to around Euro 120 million, in addition to fines and interest.

In this regard, on 20 July, 2010 the Board of Directors decided to grant a special mandate to the Chairman to take all possible steps in the Bank's interest.

## Group Structure as at 30 June, 2010



## Strategy

The extensive commercial and regulatory changes experienced by the Italian banking sector since the early 1990s have resulted in increased competition and are requiring banks to revise their strategies and restructure in order to compete with other banking institutions. The response of the Bank to this changing environment is a strong commitment to pursuing a well-defined strategy aimed at preserving its autonomy, through strengthening and improving its efficiency, profitability and competitive position in markets of reference, cutting the cost-income ratio and creating value for shareholders. In this context, the Group's principal goals are to remain one of the leading banking groups in Northern Italy and become the bank of reference for retail customers and SMEs.

### 2010-2012 Strategic Plan

On 19 January, 2010 the Board of Directors of Banca Popolare di Milano approved the 2010-2012 Strategic Plan of the BPM Group.

The Group's objective is to strengthen its competitive advantage by making a series of improvements based on interventions that are numerically limited, but of considerable economic impact. These



interventions will be planned according to specific objectives, with clearly identified key performance indicators and enabling factors for each customer segment and line of business. Important support in choosing the direction in which the plan should move comes from BPM's mission: to be the local bank of reference for the development of households and businesses, building long-term relationships with customers and integrating corporate social responsibility into the Group's strategy by defining the actions to be taken versus the various stakeholders (customers, members, employees, environment/territory).

The 2010-2012 Strategic Plan has the following three drivers:

- developing relationships with customers, by better identifying their potential and their needs, introducing a new model for the financial advisory service and upgrading the range of high value-added products to be offered to SMEs and companies;
- boosting market shares, by adopting business models able to compete in the non-captive market, using specialist companies offering high quality products as leverage;
- improving efficiency, by rationalising and optimising the Bank's commercial network, product processes, structures and personnel.

#### *Developing relationships with existing customers*

The new plan aims to get to know in more detail the potential and needs of customers so as to offer them ad hoc products and services and improve service quality.

In particular:

- in the households segment, the plan aims for a better identification of the potential and needs of customers, also offering an innovative service model for asset management;
- for the small business segment the approach will be to identify homogeneous sub-segments of customers to direct offerings in a clear and precise way, also through ad hoc commercial plans and specific packets of products;
- as regards SMEs and corporates, the objective is to reinforce the relationship with customers, offering products and services linked to their real financial needs and increasing the volume of business done with those of a higher potential. Lastly, the plan is to create specialist origination teams, both for structured finance and for project finance.

#### *Boosting market share*

The plan aims to boost BPM's market share by means of the Group's specialist companies, which are able to offer high quality products and services in the field of household loans, asset management and online banking. The increase expected from these moves to boost market share is around 300,000 new customers.

In the consumer credit business, 2010 should see the start-up of ProFamily, a new company that will offer mass market households a complete and flexible catalogue of financial products through the branches of the BPM Group and "ProFamily" branded money shops.

As regards online banking, the plan will concentrate on developing WeBank, the new bank created from the transformation of We@Service, the BPM Group's online platform. WeBank is geared to a target clientele that is complementary to that of the BPM Group and synergic with respect to the territorial network. The range of products and services makes it possible for WeBank to offer itself as a leading operator in the Italian online banking and trading market, thanks to the acquisition of WeTrade SIM, a company that is at the top of the online trading market. The particular operating model shared by the physical and virtual networks guarantees development efficiency.

In asset management, the plan envisages the development of Anima SGR, the 4th operator in this sector born of the merger between Anima and Bipiemme Gestioni. It will consolidate its independence, maintain the high quality of its offer and grow further on third-party networks, also by means of selective acquisitions.

In the treasury and investment banking sector the approach will be to consolidate the excellent results achieved in 2009 and to increase market share.

### *Improving efficiency*

Steps will be taken to reorganise, optimise and consolidate the Group's distribution network in the areas where it has its historical roots and measures with the aim of boosting growth will be implemented in areas where the Group has set up recently.

This will take place through:

- management of staff turnover with a view to generation change and personnel reductions, also in light of the consolidation of the branch network in the Group's traditional areas and in the absence of significant territorial development;
- optimisation of production processes, sharing structures and services within the Group; in particular, certain head office administrative activities will be centralised and consortium activities developed, certain processes and IT and back office structures (at both central and branch level) rationalised and the transfer of paper documentation to IT supports will continue;
- risk control will be strengthened by better integration between credit policies and commercial strategy, an appropriate risk management methodology that should guarantee consistency between the business objectives and riskiness, maintaining capital ratios above the minimum requirement and activation of a process of capital allocation that optimises the correct level of return according to the level of risk, both for the Group as a whole and for the individual business lines.

Fundamental for the success of the plan will be full involvement of all corporate functions, especially top management, and implementation of the main enabling factors for each of the areas of intervention before the end of 2010. In particular, staff training and motivation will be crucial, as will be the interaction between the front line and the other corporate functions. An objectives-based bonus system will also be introduced to ensure that the sales and marketing efforts are consistent with the plan.

### *Measures for the strengthening and stabilisation of the share capital*

The Board of Directors of the Bank at the board meeting of 24 March, 2009 approved a series of measures to reinforce the Bank's capital. They are designed to increase the Bank's Core Tier 1 ratio above 7.5 per cent., giving it a stable, high quality capital base to enable the Bank to operate in the best way possible in a context characterised by considerable uncertainty.

The capital reinforcement plan consists of the following measures:

- a) issuance for an amount of up to Euro 700 million Senior Bonds with Automatic Conversion into ordinary shares of the Bank, offered on a pre-emptive basis to entitled persons (shareholders of the Bank and holders of the "Banca Popolare di Milano/CIC 2004-2009 convertible bond loan", together with a bonus issue of warrants up to a maximum of Euro 500 million);
- b) issuance of financial instruments - to be subscribed by the Ministry of Economy and Finance - in accordance with art. 12 of Decree law 185 of 29 November, 2008, converted with amendments by Law 2 of 28 January, 2009 (so-called "Tremonti bonds") for an amount of Euro 500 million, the proceeds of which will form part of the Bank's Core Tier I capital;
- c) a public purchase offer for the innovative capital instruments (so-called Tier 1 or preference securities) issued by companies of the Group for a total amount at par of Euro 460 million.

As regards point a) it should be noted that at the meeting of 26 May, 2009 under the mandate given by the General Shareholders' Meeting of 25 April, 2009 the Board of Directors approved the issue terms of the senior bond issuance with automatic conversion into BPM ordinary shares ("*Convertendo BPM*

2009/2013 – 6.75 per cent.”) and the free assignment of warrants (“*Warrant azioni ordinarie BPM 2009/2013*”). The original bond issuance, having an aggregate nominal amount of Euro 695,535,200, is made up of 6,955,352 bonds with a single denomination of Eur 100 which will automatically be converted on maturity in ordinary BPM shares.

The bonds were offered on a pre-emptive basis to the shareholders of the Bank and to holders of the “Banca Popolare di Milano/CIC 2004-2009 Convertible bond” at the following ratio: 1 bond for 63 BPM ordinary shares and/or “Banca Popolare di Milano/CIC 2004-2009 Convertibile bonds” held. Subscribers of the bonds were also entitled to a free assignment of warrants, in the ratio of 1 warrant for each subscribed bond. The warrants give the right to subscribe, between 1 May and 1 June, 2013, to 9 BPM ordinary shares for each warrant held, at a price of 8 Euro per new share.

These bonds were issued by the Bank on 3 July, 2009. As of 21 July, which was the closing date of the offer period, 148,410,864 option rights were exercised (33.868 per cent. of the rights involved in the pre-emptive offer), equal to 2,355,728 bonds with automatic conversion worth a total of Euro 235,572,800. The warrants (2,355,728) were admitted to quotation on the MTA run by Borsa Italiana S.p.A. on 10 July, 2009.

As the issue was not completely subscribed the first time round, the unplaced bonds were sold in four successive offer periods, namely at the end of September, October, November and December 2009, leading to the subscription of a further nominal value of 170,712,300 euro. At the end of the transaction, the bond issue amounted to a nominal value of Euro 406,285,100 comprising 4,062,851 bonds with a nominal value of Euro 100 each.

The automatic conversion of these bonds into shares on maturity will entail an issue of maximum 67,714,183 BPM ordinary shares of par value Euro 4 each, based on the lowest conversion price of Euro 6 (16.667 shares per bond). In the event of voluntary conversion of the warrants (9 newly issued BPM shares for each warrant presented during the year), up to 36,565,569 BPM shares will be issued.

As regards point b), on 21 September, 2009 Banca Popolare di Milano finalised the agreements for the issue of financial instruments (art. 12 of Decree Law 185/08) in favour of the Ministry of Economy and Finance (MEF) for an amount of 500 million euro.

In this respect, as required by Decree Law 185/08, as converted and subsequently amended, the subscription of the bonds was subject to the signing of a memorandum of understanding (*protocollo di intenti*) and a code of ethics between the Bank and the MEF.

The transaction enabled the BPM Group to boost its commitment to granting credit in support of the economy. To this end the memorandum of understanding (*protocollo di intenti*), *inter alia*, envisages

- making available to small and medium sized enterprises (SMEs) for the next three years incremental loans rising by an average of 7 per cent. per year compared with the average figure for the last two years (12.1 billion euro). This in the face of corresponding demand and maintaining adequate asset quality in accordance with the principle of healthy and prudent banking management. The growth in loans to SMEs as indicated in the Protocol of Intent is higher than the stable volumes foreseen in the ABI-MEF Agreement;
- contributing 7.5 million Euro to the endowment of the guarantee fund for loans granted to SMEs in accordance with art. 11 of Decree Law 185;
- suspending for 18 months (longer than the 12 months mentioned in the ABI-MEF Agreement) repayment of home mortgage loans without any cost to the borrower if reasonably required in consideration of the types of persons indicated in the Agreement. This suspension also concerns the loans involved in securitisations or issues of guaranteed bank bonds under Law no. 130 of 30 April, 1999; maintaining for the entire duration of the agreement the initiatives already undertaken by the BPM Group to sustain the economy, namely the agreements for the “support of workers and businesses in crisis situations” signed with the Provinces of Como, Varese and Alessandria.

The code of ethics, to be adopted for all banks in the BPM Group, covers, *inter alia*, the relationships with clients and suppliers, in terms of rules of conduct to be observed, and criteria and procedures to be followed in respect of top management's remuneration.

On 2 December, 2009 the Economy and Finance Ministry confirmed that it had subscribed these instruments issued by the Bank on 4 December, 2009.

As regards point c), on 3 December, 2009, Consob issued its authorisation to publish the offer document for the public purchase offer promoted by the Bank for the following innovative capital instruments: 1) "8.393 per cent. Noncumulative Perpetual Trust Preferred Securities", for a total of Euro 160 million, issued by BPM Capital Trust I; and 2) "9 per cent. Perpetual Subordinated Fixed/Floating Rate Notes", for a total of Euro 300 million, issued by BPM.

During the course of the offer acceptance period, which ran from 7 December to 16 December, securities were delivered for a total of Euro 193,616,000 (42.09 per cent. of the overall nominal value). Acceptance of the "8.393 per cent. Noncumulative Perpetual Trust Preferred Securities" came to 55.54 per cent., and of the "9 per cent. Perpetual Subordinated Fixed/Floating Rate Notes" to 34.92 per cent.

### ***Solidarity Fund***

On 26 June, 2009, Banca Popolare di Milano, Banca di Legnano, Cassa di Risparmio di Alessandria and their respective trade union representatives signed an agreement to allow the employees of these three banks to join the solidarity fund for income support (the **Solidarity Fund**) on a voluntary basis.

These negotiations began on 26 March, 2009, activating the procedures needed to apply and implement Ministerial Decree 158/2000 in connection with the Solidarity Fund for banking employees. The fact that these negotiations reached a positive conclusion confirms the importance of a constructive policy of industrial relations. It will also allow the Group to achieve the efficiency objectives laid down by General Management, approved by the Board of Directors and already communicated to the market. This plan involves, among other things, an overall reduction of around 500 jobs in the three-year period 2009-2011. Access to the Solidarity Fund takes place through five windows running from 1 December, 2009 to 1 October, 2011, based on applications received by 30 September, 2009.

Joining the Solidarity Fund, which is entirely voluntary, is reserved to all employees at whatever level, who satisfy the legal requirements for early retirement (right to a long-service or old-age pension) within 60 months of leaving the Bank and in any case by 1 January, 2015. Priority will be given to applications by disabled employees and to members of their families and to those who are close to retirement or of a particular age.

At the end of the negotiations, 662 applications to join the Solidarity Fund were received from the Group's commercial banks (518 from Banca Popolare di Milano, 79 from Banca di Legnano and 65 from Cassa di Risparmio di Alessandria) for a total cost (after discounting) of around Euro 132 million, of which Euro 105 million for the Bank, which has been accounted for in 2009.

### **Activities**

The Group is principally involved in retail banking, corporate banking, treasury and investment banking and wealth management.

The result for retail banking includes, in addition to the margins of the activity with individuals and small enterprises with turnover of less than €50 million, the contribution coming from the private banking activities conducted by BPM Private Banking SIM S.p.A. and Banca Akros S.p.A.

The result for corporate banking includes the margins of the operations with corporate customers (defined as companies with a turnover over €50 million).

The result for treasury and investment banking includes the income from management of the proprietary portfolio and the profits of Banca Akros S.p.A., BPM Ireland Plc. (**BPM Ireland**) and Tirving Ltd. (**Tirving**).

The result for wealth management includes the profits of Bipiemme Gestioni SGR S.p.A., (now Anima SGR S.p.A.) BPM Fund Management Ltd. and Akros Alternative Investments SGR S.p.A.

The table below sets forth the contribution of each principal business activity to the gross operating profits before taxes of the Group, derived from the consolidated financial statements as at and for the periods ended 31 December, 2009 and 2008.

	<b>For the year ended</b>	
	<b>31 December,</b>	
	<b>2009</b>	<b>2008</b>
	<i>(millions of Euro)</i>	
<b>Activities</b>		
Retail Banking .....	90.6	393.1
Corporate Banking .....	76.2	140.5
Treasury and Investment Banking .....	108.2	104.5
Wealth Management.....	38.4	162
Other Activities.....	0.1	0.0
Corporate Center .....	1.6	210.9
Adjustments .....	(97.7)	(21.5)
<b>Gross Operating Profits (before Taxes) .....</b>	<b>217.3</b>	<b>213.1</b>

### **Retail Banking**

This segment contains the results of private, small and medium business customers of the Group together with those of the private banking activities performed by Bipiemme Private Banking SIM and Banca Akros.

This sector also includes the figures of Banca Popolare di Mantova, which was acquired at the end of 2008 and ProFamily, a consumer credit company, which will start operating in 2010.

The Group provides a full range of banking products and services to retail customers such as interest-bearing current accounts and other deposit accounts (including savings accounts), together with related debit cards and cards for access to the domestic and international ATM networks, certificates of deposit, bonds, overdraft facilities, mortgage loans, personal loans, bill payment services, securities trading services and foreign exchange services.

The Group also offers tax payment services to retail clients as well as deposit, custody of securities and safety-box services.

In December 2009, direct deposits (which consist of amounts due to customers, debt securities in issue and financial liabilities designed at fair value through profit and loss) from the Bank's retail customers, represented approximately 89 per cent. of its total customer deposits, while loans to retail customers represented approximately 59 per cent. of its total customer loans.

### **Corporate Banking**

The Group provides a full range of corporate banking products and services to its corporate customers that are defined as companies with a turnover of over €50 million.

The corporate clientele is drawn from across the Italian economy. To avoid over-dependence on any particular sectors, the Bank periodically reviews the performance of sectors in which its corporate clients operate, taking also into account any seasonality or volatility.

The Group also provides corporate banking services to foreign corporations (including their Italian subsidiaries) and to public sector entities.

The Group offers corporate customers interest-bearing current and savings accounts, as well as repos, certificates of deposit denominated in euros and other currencies, as well as short- (up to 12 months), medium- and long-term (over 12 months) secured and unsecured loans, mortgages, revolving credit facilities, overdraft facilities, export/import financing, electronic payment services and certain bill payment services. Further, the Group offers its corporate customers fee- or commission-generating services (some of which are supplied by certain companies in which the Group has a limited equity participation), including corporate finance services, lease financing services, discounting (or “factoring”) and advanced financing of business contracts. In addition, the Group offers its corporate customers spot foreign currency exchange services and, for certain customers with adequate credit standing, interest rate and foreign exchange forward contracts, options, futures, IRS and currency swaps. Through its branches and centralised processing systems, the Bank also provides other fee-based services to its corporate customers, such as payroll payments, money transfer services, as well as payment of VAT, social security and corporate taxes.

The Bank’s principal commercial lending instruments include pre-authorised current account overdraft facilities, import/export financing, and revolving credit facilities, medium and long-term loans and guarantees.

In December, 2009, loans to corporate customers represented approximately 41 per cent. of the Bank’s aggregate loans to customers. In December, 2008, the direct deposits of corporate customers represented 11 per cent. of the Bank’s total customer deposits.

### **Treasury and Investment Banking**

The result for treasury and investment banking includes income from management of the Bank’s proprietary portfolio, trading on its own account in securities and foreign exchange and treasury activities. This segment not only reports the financial activities typifying the Group’s retail banks but also the results of Banca Akros, the Group’s investment bank, BPM Ireland and Tirving.

The Group is engaged in a variety of investment banking activities, including treasury operations for its own account, proprietary portfolio management and providing a broad range of capital market services to both retail and corporate customers (i.e. securities brokerage and underwriting, derivatives brokerage, financial analysis).

Within the Group, Banca Akros is improving its role extending the range of products and services offered to institutional customers, large- and medium-sized companies and high net-worth individual customers. It is particularly active in brokering and dealing in securities and derivatives, is a market maker in European government securities and one of the leading Italian operators in the derivatives markets. It has also increased its operations in the underwriting and placement of securities issued by institutions and corporations.

In brokerage of listed bonds on the Italian Stock Exchange, Banca Akros ranked first on the domestic MOT managed by Borsa Italiana S.p.A. in 2009, with a market share of close to 20 per cent. (source Assosim). Of particular importance is the contribution made by the SABE system, which was designed by Banca Akros for dynamic research into the best possible execution of government and corporate bonds. It complies with the MiFID regulations and is at the service of the retail customers of BPM Group banks and of other banks and asset managers who are linked electronically to Banca Akros.

In equities traded on the Italian Stock Exchange, Banca Akros ranked sixth with a market share of 5 per cent., in line with 2008 (source Assosim). Significant volumes of foreign shares were also traded thanks to ESN, the equity research and trading partnership set up with nine other European investment banks, which are independent one from the other, all active on their respective national markets.

Considerable work was carried out in the structuring of bank capital protected bonds and with various forms of index-linked coupons.

Banca Akros confirmed its role in OTC options on Italian shares, plain vanilla derivatives such as swaps and options on interest rates, foreign exchange and exchange rate derivatives.

## **Wealth Management**

The Group's asset management activities include management of mutual funds and segregated accounts conducted mainly by Anima SGR. Mutual funds are marketed through the Group's distribution networks (BL, BPM, CRA, BP Mantova, WeBank and BPM Private Banking SIM) and other financial institutions (such as banks, insurance companies and Anima SGR's network of financial advisors).

In addition to managing mutual funds, Anima SGR provides customized portfolio management services and financial planning for high net-worth individuals and institutional clients, including BPM Vita's assets.

Anima SGR currently manages 33 mutual funds, two funds of funds, of which one is "multistyle" and "multimanager" and both of which include four sub-funds and one pension fund with five sub-funds.

The Group, with the aim of diversifying the range of products offered, is also active through other subsidiaries: (a) BPM Fund Management Ltd., a wholly-owned subsidiary of BPM Ireland Plc, which operates the Dublin International Fund managed by Anima SGR, a UCITS harmonised fund under Irish law with six units; (b) Akros Alternative Investments SGR S.p.A., a company controlled by Banca Akros which manages four funds of hedge funds targeted at institutional investors and high net worth individuals with sophisticated financial requirements.

At 31 December, 2009, assets under management came to Euro 24.5 billion (+17 per cent. compared with 2008, aggregating the figures of Bipiemme Gestioni and Anima), while net flows into funds were positive for Euro 1.4 billion.

The market share of the new SGR in mutual funds rose to 4.2 per cent. from 3.8 per cent. (aggregating the figures for Bipiemme Gestioni and Anima, which also included foreign funds managed for third parties).

## **Other Activities, Corporate centre and adjustments**

The segment concerned with "other activities" reports the results of Ge.Se.So., a company which manages company canteens.

The corporate centre segment covers services relating to Group operations, and its role includes dealing with the equity investments portfolio, subordinated liabilities and all the other assets and liabilities not allocated to the other business segments.

The following companies are classified in the corporate centre segment: BPM Capital I, BPM Luxembourg and the two special purpose vehicles BPM Securitisation 2 and BPM Covered Bond, which were set up for the loan securitisations and the covered bond programme respectively, as well as the figures for the four hedge funds managed by Akros Alternative Investments SGR, whose NAV is included in the Investment Banking segment of the Bank.

This business line conventionally includes WeBank (formerly We@service) which in 2009 mainly carried out IT services for the Group, but on 1 November, 2009 was transformed into the Group's online bank.

WeBank SpA continues to provide internet banking services to the territorial banks of the BPM Group; in 2009 it extended the number of banks served by adding Banca Popolare di Mantova.

On 30 July, 2009, in order to expand and complete the range of financial investment products and services offered by the BPM Group through the internet, Banca Popolare di Milano acquired from Intesa Sanpaolo S.p.A. 100 per cent. of Intesa TRADE SIM S.p.A., a company operating in the field of online trading which provides customers with investment services.

## Loan Portfolio

As at 31 December, 2009, the Group's total loans equalled Euro 36,053 million (Euro 36,375 million as at 31 December, 2008), representing 81 per cent. of its total assets (81 per cent. as at 31 December, 2008). As at 31 December, 2009, loans to customers equalled Euro 32,852 million (Euro 32,899 million as at 31 December, 2008), while loans to banks equalled Euro 3,201 million (Euro 3,476 million as at 31 December, 2008).

## Loans by Type of Facility

The following table sets forth loans to customers of the Group by type of facility at the dates shown.

	As at	
	31 December,	
	2009	2008
	<i>(in millions of Euro)</i>	
<b>Types of Loans:</b>		
Overdrafts on current accounts .....	4,495	4,919
Mortgages <sup>(1)</sup> .....	14,258	13,545
Finance leases .....	358	350
Non-performing loans <sup>(2)</sup> .....	1,741	770
Other loans .....	12,000	13,315
<b>Total loans to customers.....</b>	<b>32,852</b>	<b>32,899</b>

(1) Includes mortgages sold for securitisation.

(2) Includes non-performing loans sold for securitisation.

## Foreign Activity and Commercial Agreements

The Group has one subsidiary in Dublin and one in Delaware, as well as commercial agreements with certain overseas banks. The Bank's subsidiary in Dublin, BPM Ireland Plc, which was established in 1998 within the International Financial Services Centre (IFSC), engages primarily in the trading of financial instruments. It also manages another Eire-based company, BPM Fund Management Ltd.

The Group's aim is to strengthen its international presence through the establishment of a number of strategic agreements with foreign banking institutions. Over the last few years, the Group has entered into co-operation agreements with the Spanish bank La Caixa, Barcelona, with the Crédit Mutuel Group in France and with the Raiffeisen Zentralbank Oesterreich in Austria and Banque Centrale Populaire in Morocco, aiming at creating reciprocal commercial opportunities for corporate customers, as well as implementing and promoting some of the Group's financial products and services through the distribution networks of its strategic partners.

In September 2006, the Bank signed a cooperation agreement with Sopaf to offer its customers direct assistance on the Chinese market. SMEs that operate through BPM will be assisted by the management of Sopaf Asia, a subsidiary of the Sopaf Group, in developing new business opportunities in China and Hong Kong, researching local trading and industrial partners and setting up new entrepreneurial initiatives.

In June 2008, the Bank signed another co-operation agreement with Guizzetti & Associates to offer its customers direct assistance in the Indian market.

In 2009 the Bank signed cooperation agreements with Studio La Rosa & Partners and with VIDAR Consulting for covering the needs and providing professional assistance to the Bank's clientele respectively in Libya and Brazil.



## **Treasury Operations and Capital Markets Trading Activities**

The Bank engages for its own account in various treasury activities such as money market operations (both in euro and in foreign currencies), foreign exchange operations as well as securities and derivatives trading.

The Finance Department, in accordance with the market risk limits set by the management, analyses and selects products and executes transactions with a wide range of risk profiles aimed at achieving profitability targets.

Pursuant to the decisions of the A.L.M. Committee, which also sets the guidelines for asset and liability management, the Bank also uses financial derivatives (such as interest rate swaps or futures traded on the most important international markets such as LIFFE and EUREX) to reduce the risk of interest rate fluctuations.

Money market activity is mainly concentrated, with regard to the domestic market, in the electronic Italian regulated interbank deposit market ("e-MID"). With regard to foreign currency deposits activity, the Bank operates with high-profile counterparties and the counterparty risk is monitored on a daily basis.

## **Derivatives**

The Bank's main objective in holding or issuing derivatives is the management of interest rate and foreign exchange risk arising out of its financing, deposit taking, investment and dealing operations. Furthermore, the Bank uses derivatives principally to hedge exposure to market fluctuations with respect to its bond issues. Open positions in derivatives are strictly limited by the Group's risk management policies.

In client-driven transactions, the Bank purchases and resells specific derivative structures at the direction of its clients.

The Group monitors, with a frequency that management believes is appropriate, the potential impact of derivative transactions on its financial condition and results of operations.

## **Competition**

The Group faces significant competition from a large number of other banks and financial institutions that operate in Italy. The Bank's competitors can be divided into two categories: medium-sized local banks and nation-wide or multi-regional institutions. In attracting retail deposits and financing retail customers and SMEs, the Bank competes locally primarily with medium-sized banks, and to a lesser extent with multi-regional banks. The Bank competes with nation-wide and multi-regional Italian banks (including branches of non-domestic banks that operate in Italy) in other areas of business.

## **Properties**

The Bank owns its headquarters building located at Piazza Filippo Meda 4, Milan, Italy and most of its branches. Part of functional properties are rented for office use to companies of the Group (Anima SGR).

The properties of the Group are recorded with a net book value as at 31 December 2009 of Euro 709 million. Of these, the properties owned for investment purposes were worth Euro 19 million.

In 2006, the Bank completed the building of the new service centre in Milan with a capacity of more than 2,000 people who carry out general administrative support, IT and back office activities.

## **Legal Proceedings**

The Bank is subject to certain claims, and is party to a number of legal proceedings, that have arisen in the ordinary course of its business. Management believes that the liabilities related to such claims and proceedings are unlikely to have, in the aggregate, a material adverse effect on the Group's financial condition or results of operations, as the Bank has already recorded adequate provisions.

## **Market Risks and Asset and Liability Management**

This Risk Management department is responsible for instituting and maintaining an effective risk management and control system, implementing strategic guidelines.

It is responsible for developing the Group risk control methodologies, proposals on the operating limits system and overseeing it.

The objective is to provide all the Group units with methodologies, measurement/management criteria, control instruments on credit, financial and operational risk, and to ensure the governance of exposure to said risks, in compliance with the indication of the supervisory authority and the Basel Agreement on capital adequacy.

To that end, the Risk Management function oversees all the components of risk, submitting the more significant aspects of the system to the general manager and Board of Directors for approval.

In conjunction with the Group “Strategic Planning” function, it assesses the efficiency of capital allocation with regard to the profitability and risk profiles that characterise each strategic business area.

It produces managerial reporting for measuring risk exposure, for measuring risk-adjusted profitability, and for examining scenarios that impact the risk position.

It provides constant control of overall exposure of the Group and each unit to the aforesaid risks, proposing any necessary actions to correct the overall Group risk profile, where deemed appropriate.

The Bank’s Risk Management function also monitors interest rate risk using an ‘Asset & Liability Management’ system which measures any mismatch between assets and liabilities by maturity and the re-pricing of interest-rate sensitive items. This system monitors interest rate risk using the interest rate gap and liquidity risk using the liquidity gap.

## **The Bank’s Credit Approval and Review Procedures**

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

The credit management process is specialised by category of borrower, in terms of both approval process and the systems and methods of evaluation and monitoring. The risk evaluation tools the Bank uses are based on internally developed credit scoring and credit rating models. The use of external ratings for the credit evaluation process is generally irrelevant, since most of the borrowers are exposed to credit risk that is not rated by the major agencies.

The Bank also uses a system of credit exposure limits designed primarily to avoid excessive risk of exposure concentration, by individual borrower and by capital availability (capital absorbed by credit risk). This system of limits is reviewed and updated periodically.

The Bank has developed and long used credit scoring and rating systems in its credit risk management processes. These models were thoroughly revised in 2006 to make them more consistent with the regulatory provisions of the New Agreement on Capital (**Basel 2**). In this regard, the Group has declared its intention to adopt the IRB (Internal Rating Based) Foundation method. This revision process was completed in 2007, with gradual releases.

During 2008, the Bank carried out activities aimed at fine-tuning the internal rating models, gradually extending them to all classes of exposure to cover the entire customer portfolio, employing the Basel 2 risk parameters in its principal credit management process (from delegated power to pricing models), and developing a dedicated supporting technological infrastructure (Project Basel 2 – Credit Risk).

The internal rating models refers to four segments of ordinary customers, classified according to the turnover volume. All the models were developed internally on representative samples of the Group customer portfolio.

For private individuals, the Bank assess risk with the use of scoring systems, tools that use sociodemographic, income and trending factors to statistically determine the risk that a given counterparty may manifest difficulties over the next 12 months. For this segment, the assessment is further specialised byproduct/transaction (home mortgages, specific loans, overdraft facilities, and credit cards).

### **Loan Portfolio Monitoring**

The responsibility for monitoring credit risk lies initially with the branch that originally established the relationship with the customer. Credit risk is monitored on a continuous basis by an internal department of the Bank (*Area Qualità del Credito*).

The Bank's internal audit department is responsible for auditing and testing compliance with internal procedures including accounting controls and credit approval procedures. The internal audit department audits each branch and the head office as per an annual audit plan compliant to a risk-based process oriented methodology. The internal audit department also audits the Bank's legal contracts for compliance with standard forms, where applicable, and for ensuring proper execution and documentation.

### **Loan Classification**

Pursuant to Bank of Italy classifications, the Group divides its loans into separate categories: (a) good credit loans; (b) troubled loans (i.e. a loan in which the borrower is temporarily insolvent); or (c) bad loans (i.e. non-performing loans, typically for borrowers for which insolvency or similar proceedings have been commenced). In addition, the Bank of Italy requires banks to report loans which are restructured and undergoing restructuring. In accordance with Italian regulations, the Bank must, like other Italian banks, report its loan classification monthly to the Bank of Italy. Management evaluates and estimates each loan included among troubled or bad loans monthly and, if necessary, records a specific provision for the expected loss.

The following table sets forth the BPM Group's loans to customers by performing loans and categories of classified loans at 31 December, 2009 and 2008.

	<b>As at 31 December,</b>			
	<b>2009</b>		<b>2008</b>	
	<i>(in millions of Euro)</i>	<i>%</i>	<i>(in millions of Euro)</i>	<i>%</i>
Good loans .....	31,111	94.7%	32,129	97.7%
Troubled loans.....	1,045	3.2%	443	1.3%
Bad loans.....	345	1.1%	196	0.6%
Restructured loans.....	264	0.8%	45	0.1%
Positions Overdue .....	87	0.3%	86	0.3%
<b>Total net loans to customers.....</b>	<b>32,852</b>	<b>100%</b>	<b>32,899</b>	<b>100%</b>
Writedowns of credit risk .....	635		530	
Provision for good loans .....	183		191	
<b>Total writedowns .....</b>	<b>818</b>		<b>721</b>	
<b>Total gross loans to customers .....</b>	<b>33,670</b>		<b>33,620</b>	

#### **Licenses and Trademarks**

The only licenses or trademarks registered for the Group are the trademarks and logos relating to the Bank and other companies of the Group and to the Group's products, including WeBank.

#### **Provisions for Bad Debt and Other Provisions**

The Bank accounts for credit losses on loans by making specific provisions and charging the amount of such provisions against net income. Such specific provisions are tied to the expected loss on each non-performing loan, troubled loan and, if necessary, on certain performing loans. The Group's loan portfolio is monitored on a regular basis to review the prospects of recovery and the estimated losses. Each loan is evaluated at least every month and after these evaluations, if deemed necessary, a charge to provisions for bad debt is recorded to reflect possible loan losses. Loans appear on the Group's balance sheet net of the cumulative provision for bad debt.

The following table sets forth an analysis of the Group's charges to provisions for bad debt as they affect the income statement of the Group for the years ended 31 December, 2009 and 2008.

	<b>As at 31 December,</b>	
	<b>2009</b>	<b>2008</b>
	<i>(in millions of Euro)</i>	
<b>Type of Loans:</b>		
Write downs of loans .....	(318)	(238)
Writeoff of loans not previously provided for .....	(97)	(27)
<b>Total adjustments to loans.....</b>	<b>(415)</b>	<b>(265)</b>
Writebacks of loans previously written down .....	78	60
<b>Total writebacks of loans .....</b>	<b>(337)</b>	<b>(205)</b>

## Interim results as at 31 March, 2010

On 14 May, 2010, the Bank issued a press release announcing details of the Group's consolidated unaudited financial results as at and for the three months ended 31 March, 2010. Set out below is an extract from an English translation of such press release:

"In today's meeting, the Board of Directors of Banca Popolare di Milano examined and approved the Group's first quarter results as at 31 March, 2010. Despite the continuing difficult international economic turmoil, the operating result and the reduction in the cost of credit (down to 81 basis points from the peak of 102 basis points registered in 2009) drove the Group's net profit to euro 50.1 million.

The decrease in net profit (down 30.2 per cent. YoY) was mainly due to the fall in net profit from financial activities. Indeed, though financial activities recorded euro 55.2 million, this result was down 45.9 per cent. YoY, but figures for the first quarter of 2009 benefited by Euro 60 million coming from operations on interest-rate derivatives.

As regards the turbulence affecting financial markets recently, the Group hereby makes it known that at 30 April, 2010 the exposure to Greece, Spain, Portugal and Ireland is limited or zero. In detail, the Group has a Euro 10 million exposure to Greece, about Euro 3 million to Portugal, around Euro 9 million to Spain and no exposure to Ireland.

### *Group – Direct customer deposits and issued securities*

Direct customer deposits (amounts due to customers, debt securities in issue and financial liabilities at fair value) totalled Euro 34,550 million, down 3.3 per cent. YoY.

In detail, amounts due to customers (Euro 22,762 million) were up 15.6 per cent. YoY, mainly due to the increase in current accounts and savings accounts (up 19.1 per cent.).

On the other hand, the value of issued securities fell 23.3 per cent. YoY to Euro 10,595 million, mainly due to the reimbursement (amounting to Euro 1,250 million) of bonds issued under the EMTN Programme that matured in February 2010.

Financial liabilities at fair value totalled Euro 1,193 million, down 46.6 per cent. YoY owing to the lack of new placements of structured bonds that had matured.

Given the foregoing, the weight of retail funding on total funding rose to 80 per cent. as at 31 March, 2010 from 76 per cent. as at 31 March, 2009.

### *Indirect customer deposits*

Total indirect customer deposits as at 31 March 2010 amounted to Euro 46,554 million, up 13.9 per cent. YoY. Specifically, assets under management rose by 19.9 per cent. to Euro 26,117 million and the Groups market share of mutual funds rose to 4.07 per cent. from 3.89 per cent. as at 31 March, 2009.

In detail, mutual funds grew by 20.4 per cent., segregated accounts by 24.5 per cent. and insurance reserves by 14 per cent.

The assets under custody of retail customers, at market value, totalled Euro 20,437 million, up 7.1 per cent. YoY.

### *Customer loans*

Customer loans mainly as at 31 March, 2010 totalled Euro 33,363 million, up 5.7 per cent. YoY. Mortgages recorded a further increase, up 6.3 per cent. YoY to Euro 14.4 billion. This result was driven by over Euro 800 million in new mortgages in the first quarter of 2010.

Credit quality affected by the worse macroeconomic recording climate, both at a domestic and an international level: the percentage of total net impaired loans on the total loan portfolio was 5.6 per cent.

The gross watchlist on total loans was 4 per cent., while the net watchlist on total loans was 3.5 per cent. Gross non-performing loans on total loans was 2.4 per cent., while net non-performing loans on total loans was 1.1 per cent., below the industry average (1.9 per cent. in February 2010 Source: ABI).

Total adjustments (both specific and generic) had a coverage level on total loans of 2.5 per cent., compared to the 2.4 per cent. recorded as at 31 December, 2009. In detail, performing loans and watchlist coverage were more or less stable compared to December 2009, while NPL coverage was 53.1 per cent.; this level was consistent with the increase in positions with real guarantees.

#### *Net interbank position*

The Group's net interbank position as at 31 March, 2010 was Euro 421 million, down from Euro 1,293 million as at 31 March, 2009. The difference between the two results was mainly due to the said reimbursement of EMTN bonds (amounting to Euro 1,250 million).

#### *Equity*

As at 31 March, 2010 the Group's net equity was Euro 3,943 million; the Core Tier 1 was 7.9 per cent., the Tier 1 was 8.6 per cent. and the Total Capital Ratio was 12.6 per cent.

#### *Operating income*

As at 31 March, 2010, the Group's operating income was Euro 435.9 million, down 10.8 per cent. YoY.

Specifically, net interest income was Euro 179.8 million, down 25.4 per cent., due to the fall in interest rates which caused total customer spreads to narrow.

Booked under non-interest income, net fee and commission income stood at Euro 190 million up 38.2 per cent. Specifically, net fees from AUM, brokerage and advisory services saw an increase thanks to higher fees from assets under management and the placement of Euro 1,122 million in third-party bonds in the first quarter of the year, compared to Euro 436 million as at 31 March, 2009.

The net profit from financial activities totalled Euro 55.2 million (down 45.9 per cent.), mostly due to fewer interest-rate derivatives trades; this result was only partially offset by the income from activities at fair value.

#### *Operating costs*

Total operating costs as at 31 March, 2010 stood at Euro 279.4 million, up 1.7 per cent. YoY, although payroll costs fell 3.1 per cent. to Euro 178.2 million owing to the reduction in headcount (namely 429 people who agreed to take advantage of the early retirement plan *Fondo di Solidarietà* left the Group during the first two phases of the plan, respectively the end of November 2009 and the end of March 2010). As at 31 March, 2010, the Group employed 8,699 people, including temporary staff and contractors.

Other administrative expenses totalled Euro 79.9 million, up 13.8 per cent. YoY owing to, specifically, some important projects included in the business plan to develop the online banking and consumer credit activities.

#### *Provisions and adjustments*

Total provisions and adjustments stood at Euro 70.1 million, down 17.5 million YoY net adjustments stood at Euro 68.1 million.

#### *Net profit*

After the deduction of Euro 35.3 million for income tax (at a tax rate of 40.8 per cent.) the Group's net profit for the first quarter of 2010 stood at Euro 50.1 million (down 30.2 per cent. YoY)."

## MANAGEMENT

The management of the Bank is divided between the Board of Directors and the Executive Committee, which acts under delegated authority of the Board of Directors. The day-to-day operations of the Bank are the responsibility of the General Manager. In addition, the Italian Civil Code requires the Bank to have a supervisory body, the Board of Statutory Auditors.

As at the date hereof, no member of the Board of Directors or the Board of Statutory Auditors had any potential conflicts of interest between its duties as a member of the administrative management or supervisory bodies of the Bank towards the Bank and its private interests and/or duties.

As shown in the tables below, the members of the Board of Directors and the Board of Statutory Auditors hold analogous offices in other companies both inside and outside the Group. This situation may give rise to conflicts of interests.

BPM deals with conflicts of interest in compliance with article 2391 of the Italian civil code, articles 147-ter(4), 148 (3) and 150(1) of Legislative Decree no. 58/1998 (Consolidated Financial Act), with article 136 of Legislative Decree no. 385/1993 (Consolidated Bank Act) and with the recommendations set forth by the *Codice di Autodisciplina per le Società Quotate* (Corporate Governance Code), which the Bank previously complied with, and in compliance with all provisions of law and internal or external regulations from time to time applicable regarding transactions with related parties.

With respect to conflicts of interest and Directors, article 32 of BPM's Articles of Association provides that: *“Without prejudice to any other reasons for incompatibility envisaged in current regulations, those who are or become directors, employees or statutory auditors of other banks or their subsidiaries cannot act as a Director of BPM, unless the entities concerned are centralised structures for the cooperative banking movement or banks, affiliates or members of an affiliated banking group”*. To this extent, and in compliance with the recommendations set forth in the *Codice di Autodisciplina per le Società Quotate* (Corporate Governance Code), which BPM adheres to, the Board of Directors has previously expressed its position on the maximum number of offices as Directors or Statutory Auditors in other companies that the Directors of the Bank may hold.

Moreover in accordance with the application of the *Disposizioni di vigilanza in materia di organizzazione e governo societario delle Banche* (Supervisory rules on organisation and governance of Banks) set forth in the Bank of Italy's measure of 4 March, 2008 on 25 June, 2009, the Board of Directors adopted a specific regulation which, *inter alia*, provided for limits to the number of offices that can be held at the same time by the Directors, taking into consideration the type of office and the characteristics and dimensions of the relevant company.

With respect to Statutory Auditors, article 41 of the BPM Articles of Association provides that: *“Those who do not meet the requirements or who are members of the boards of directors or statutory auditors of other banks, unless they are affiliates or centralised structures for the cooperative banking movement, cannot be elected as Statutory Auditors, and if they have been elected, they immediately fall from office. In any case, the Statutory Auditors cannot accept positions in bodies other than as statutory auditors at other Group companies, as well as at companies in which the Bank directly or indirectly has a strategic investment. The same limits to the accumulation of directorships and auditorships laid down in art. 148-bis of Legislative Decree 58/1998 (including subsequent amendments) and related implementation regulations are to be applied”*.

For further information on the financial and economic relations between the Bank and (i) companies belonging to the Group and (ii) Directors and Statutory Auditors of the Bank and the Group, please refer to part H of the notes to the consolidated financial statements (entitled Transactions with related parties) and, with regard to the description of the internal procedures applicable to relationships with related parties to the *Relazione sul governo societario e gli assetti proprietari* (Report on corporate governance and shareholding) 2009, prepared in compliance with article 123-bis of the Consolidated Financial Act.

All the above mentioned documents are available on the website of the Bank ([www.bpm.it](http://www.bpm.it)) and of Borsa Italiana S.p.A. ([www.borsaitaliana.it](http://www.borsaitaliana.it)).

## Board of Directors

The current Board of Directors, elected by the shareholders' meeting of 25 April, 2009, consists of one Chairman, two Deputy Chairmen and fourteen Directors(\*). According to the by-laws, all directors must be shareholders of the Bank.

In accordance with the by-laws, the Board of Directors has complete power of ordinary and extraordinary administration of the Bank, except for actions specifically reserved by applicable law or the by-laws for shareholder meetings.

The following table sets forth certain information regarding the current members of the Board of Directors of the Bank.

<b>Name</b>	<b>Title</b>	<b>Other most relevant positions at 31 December, 2009</b>
<b>Massimo Ponzellini</b>	Chairman	Chairman Impregilo SpA Deputy Chairman INA ASSITALIA SpA Membre du Conseil de Surveillance Crédit Industriel et Commercial Director Istituto Europeo di Oncologia Srl Director Fondazione Teatro alla Scala Shareholder Chiara Srl Shareholder Penta SpA
<b>Mario Artali</b>	Deputy Chairman	Deputy Chairman Banca Akros SpA (Bipiemme Group) Chairman Wise Venture SGR SpA Director Sigma Tau Finanziaria SpA
<b>Graziano Tarantini</b>	Deputy Chairman	Lawyer (associated partner of Studio Professionale GFT & Partners) Chairman Banca Akros SpA (Bipiemme Group) Chairman of the Board of Statutory Auditors A2A SpA Chairman and Founder Partner Fondazione San Benedetto Educazione Libertà e Sviluppo Chairman and Founder Partner Fondazione Educazione e Sviluppo Commissioner Fondazione Cariplo
<b>Antoniogiorgio Benvenuto</b>	Director	Director GPA Assiparos SpA
<b>Francesco Bianchi</b>	Director	Chartered Accountant Director Cassa di Risparmio di Alessandria SpA (Bipiemme Group) CEO H7 SpA Director H7+ Srl
<b>Giovanni Bianchini</b>	Director	Chairman and Shareholder Phidias SpA Sole Director Me.ta Srl Member of the Directive Board of APB (Associazione Italiana per la Pianificazione ed il Controllo di Gestione in Banche e nelle istituzioni finanziarie)
<b>Giuseppe Coppini</b>	Director	Director Cassa di Risparmio di Asti SpA Director Fondazione Orchestra Sinfonica Giuseppe Verdi



<b>Name</b>	<b>Title</b>	<b>Other most relevant positions at 31 December, 2009</b>
<b>Enrico Corali</b>	Director	University Professor Chairman Banca di Legnano SpA (Bipiemme Group) Chairman BAS-Servizi Idrici Integrati SpA Director Finlombarda SpA Director Autostrada Pedemontana Lombarda SpA
<b>Claudio Danelon (**)</b>	Director	Director Anima SGR SpA (Bipiemme Group)
<b>Franco Debenedetti</b>	Director	Chairman and Shareholder China Milan Equity Exchange Director CIR SpA Director Cofide SpA Director Piaggio & C. SpA Director Iride SpA
<b>Franco Del Favero</b>	Director	Director Banca Akros SpA (Bipiemme Group)
<b>Roberto Fusilli</b>	Director	Director Banca di Legnano SpA (Bipiemme Group)
<b>Piero Lonardi</b>	Director	Chartered Accountant Director Cassa di Risparmio di Alessandria SpA (Bipiemme Group) Director Cet Srl Director Unico Immobiliare Emanuela Srl Director Unico Vismaf Srl Director Unico e Socio Fin-Arco srl Director L'Altra metà Srl Director Siplast Srl Director Errepi SpA Chairman of the Board of Statutory Auditors Nitrol Chimica Srl Chairman of the Board of Statutory Auditors Fondazione HiTech Brianza Chairman of the Board of Statutory Auditors A. De Pedrini SpA Acting Auditor AMSA SpA Acting Auditor MIR Milano Immobili e Reti Srl Acting Auditor GUT Edizioni Srl Liquidatore Immobiliare Dosso Sei Srl in liquidazione

<b>Name</b>	<b>Title</b>	<b>Other most relevant positions at 31 December, 2009</b>
<b>Marcello Priori</b>	Director	Chartered Accountant Chairman ProFamily SpA (Bipiemme Group) Director Cassa di Risparmio di Alessandria SpA (Bipiemme Group) Chairman Mogar Music SpA Director Dexia Crediop SpA Director Monzino SpA Director Vivigas SpA Chairman of the Board of Statutory Auditors Carrefour Servizi Finanziari SpA Acting Auditor Fomas Finanziaria SpA Acting Auditor Lucchini SpA Acting Auditor Key Client Cards & Solutions SpA Acting Auditor Bracco Imaging Italia Srl Acting Auditor Carrefour Italia Immobiliare Srl Acting Auditor Carrefour Italia SpA Acting Auditor Demeter italia Srl Acting Auditor Il Bosco Srl Acting Auditor Etnastore SpA Acting Auditor Bari Fonderie Meridionali SpA Acting Auditor Servola SpA
<b>Leone Spozio</b>	Director	–
<b>Jean-Jacques Tamburini</b>	Director	Director Banca di Legnano SpA (Bipiemme Group) Membre du directoire du Crédit Industriel et Commercial Président Directeur General de CIC Société Bordelaise Président Directeur General CIC Participations SAS Président Directeur General ADEPI SAS Président Directeur General Valimar 3 SAS Président du Conseil de Surveillance de CIC Capital Privé Président du Conseil d'administration S.F.F.P. Vice-Président du Conseil de Surveillance de CM-CIC Asset Management Membre du Conseil de Surveillance CIC Production (GIE) Administrateur de CIC Investissement Administrateur de CIC Finance Administrateur de l'Institut de Participation de l'Ouest (IPO) Administrateur de la Banque de Tunisie Administrateur du CIC Est Administrateur de la S.F.A.P. Administrateur de la Assurances du Credit Mutuel – IARD SA Administrateur de TV7 Bordeaux Membre du Comité d'Audit de la Banque Marocaine du Commerce Extérieur
<b>Michele Zefferino</b>	Director	Director Cassa di Risparmio di Alessandria SpA (Bipiemme Group) Director WeBank SpA (Bipiemme Group) Director Bipiemme Vita SpA (Bipiemme Group)

(\*) Beniamino Anselmi, appointed by the shareholders' meeting of 25 April, 2009, resigned from the Board of Directors on 29 June, 2010 and at the date hereof has not yet been replaced.

(\*\*) Claudio Danelon was appointed by the Board of Directors on 8 June, 2010, following the resignation of Roberto Mazzotta on 21 May, 2010.

The term of office for all the members appointed by the shareholders' meeting of 25 April, 2009 expires on the date of the general meeting called to approve the financial statements for the year ending 31 December, 2011.

The business address of the Directors is Piazza Filippo Meda, 4, Milan, Italy.

The Chairman of the Board of Directors and each of the Deputy Chairmen has the power to represent the Bank, each also having the power to sign individually on behalf of the Bank. Each of the Directors may represent the Bank jointly with the General Manager or with one of the Manager appointed by the Board. For certain transactions, the Board may also give single or joint signature power to individual Directors and Managers and grant powers of attorney for specific matters.

### **Executive Committee**

The by-laws provide that the Board delegates part of its powers on an annual basis to an Executive Committee, which shall be composed of the Chairman, the Deputy Chairmen, and other Directors. The total number of Executive Committee members is not less than five nor more than six (at the moment it has seven members, including the Chairman and two Deputy Chairmen). Committee meetings are attended by all members of the Board of Statutory Auditors and the General Manager.

The Board of Directors granted the Executive Committee the following powers and responsibilities at the board meeting on 11 May, 2010:

- to provide for the designation of the General Managers of the Subsidiaries and of the other Companies of the Group, upon proposal of the General Manager of the Bank;
- to authorise the purchase and sale of real estate, companies and investments for a total amount not exceeding €20 million;
- to authorise the payment of fees, even not included in the budget, up to €2 million per single transaction, up to a maximum yearly limit of 5 per cent. of the budget approved by the Board of Directors;
- to take any decision in case of urgency, which must be approved by the Board in its next meeting;
- to examine the proposals of the Chairman and of the General Manager to be submitted to the Board of Directors, based on strategic and political views of the Bank and of the Group in relation to the decisions taken;
- to conduct a preliminary analysis of the proposals of the General Manager focused on the organisational structure of General Management;
- to conduct a preliminary analysis of the balance sheet and the consolidated balance sheet and the periodical interim reports of the Bank and of the Group;
- to conduct a preliminary analysis of the budget of the Bank and of the Group with reference to charges and investments in relation to the proposals to be submitted to the Board of Directors;
- to conduct a preliminary analysis of the proposals of the General Manager to be submitted to the Board of Directors in respect of nomination, revocation and attribution of powers to the Managers of the Bank and rules of conduct which may cause the termination of their employment contracts.

The Executive Committee reports to each subsequent Board meeting on decisions it has taken in the exercise of its powers and asks the Board to ratify any decisions it has taken on an urgent basis for which the Board is normally responsible.

The following table sets forth the current members of the Executive Committee.

<b>Name</b>	<b>Title</b>
Massimo Ponzellini	Chairman
Mario Artali	Deputy Chairman
Graziano Tarantini	Deputy Chairman
Francesco Bianchi	Director
Franco Del Favero	Director
Piero Lonardi	Director

### **The General Manager's Office**

General Manager's Office consists of the General Manager and other persons appointed for this purpose by the Board of Directors, including one appointed to act as deputy – in the General Manager's absence or impediment – with full authority and powers.

The General Manager's Office is responsible for managing the Bank's activities on a day-to-day basis. The General Manager participates in the meetings of the Board of Directors and of the Executive Committee, and may express his opinion but does not vote on matters discussed at such meeting. The General Manager is however entitled to vote at meetings of the Funding Committee.

The current General Manager is Fiorenzo Dalu and the Joint General Manager is Enzo Chiesa, both appointed by the Board of Directors at the Board meeting of 24 July, 2008. The Board of Directors, at the meeting of 22 December, 2009, appointed Roberto Frigerio as Deputy General Manager, effective from 1 January, 2010.

<b>Name</b>	<b>Title</b>	<b>Other most relevant positions at 31 December, 2009</b>
<b>Fiorenzo Dalu</b>	General Manager	Director Banca Popolare di Mantova SpA (Bipiemme Group) Director Unione Fiduciaria SpA Director Fiera Milano SpA Director Istituto Centrale Banche Popolari Italiane
<b>Enzo Chiesa</b>	Joint General Manager	Director Banca Akros SpA (Bipiemme Group) Director Akros Alternative Investments SGR SpA (Bipiemme Group)
<b>Roberto Frigerio</b>	Deputy General Manager	Chairman BPM Ireland plc (Bipiemme Group) Chairman BPM Fund Management Ltd (Bipiemme Group) Director ProFamily SpA (Bipiemme Group)

### **Board of Statutory Auditors**

Pursuant to Italian law, in addition to electing the Board of Directors, the shareholders at the general meeting also elect a Board of Statutory Auditors composed of independent experts in accounting matters who have a duty to shareholders, to whom they report, to the Bank and to the Bank's creditors.

The role of the Board of Statutory Auditors is principally to monitor the following: the compliance of the Bank with the law and its by-laws, the observance of the principles of correct administration, the adequacy of the Bank's organisational structure for matters within the scope of the board's authority, the adequacy of the internal control system and the administrative and accounting system and the reliability of the latter in correctly representing the Bank's transactions.

The accounting auditing on the correctness of the accounting records and results obtained by the Bank, as well their consistency with the financial statements, is the responsibility of the Bank's independent auditors (Reconta Ernst & Young S.p.A.).

In accordance with Article 40 of the by-laws of the Bank, the Board of Statutory Auditors is composed of the Chairman, four Auditors and four Alternate Auditors, who are elected from among the shareholders. Article 41 of the by-laws of the Bank reserves two auditors and two alternate auditors positions to representatives of minority interests.

The following table sets forth the current members of the Board of Statutory Auditors.

<b>Name</b>	<b>Title</b>
Salvatore Rino Messina	Chairman
Carlo Bellavite Pellegrini	Auditor
Enrico Castoldi	Auditor
Stefano Salvatori	Auditor
Ezio Simonelli	Auditor
Emilio Luigi Cherubini	Alternative Auditor
Enrico Radice	Alternative Auditor
Giorgio Zoia	Alternative Auditor

Giuseppe Zanzottera, the fourth Alternative Auditor, died on 31 July, 2010.

## **Employees**

As at 31 December, 2009, the Group had 8,833 employees, with a decrease of 69 employees from 31 December, 2008. As at 31 December, 2009, 190 employees, or 2.2 per cent. of the workforce, held management or executive positions. As at the same date, the Group had 3,223 officers (*funzionari e quadri direttivi*), accounting for 36.5 per cent. of the Group's employees.

## TAXATION

### ITALIAN TAXATION

The following is a general summary of certain Italian tax consequences of the purchase, the ownership and the disposition of the Notes. It does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. This summary is based upon Italian tax laws and/or practice in force as at the date of this Offering Circular, which are subject to any changes in law and/or practice occurring after such date, which could be made on a retroactive basis.

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

#### Tax treatment of the Notes

***Tax Treatment of Notes that qualify as “obbligazioni” or “titoli similari alle obbligazioni” and have a maturity of not less than 18 months***

Italian Legislative Decree No. 239 of 1 April, 1996 (**Decree No. 239**), as subsequently amended, regulates the tax treatment of interest, premium and other income from notes issued, *inter alia*, by Italian resident banks. The provisions of Decree No. 239 only apply to interest, premiums and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as **Interest**) paid under Notes issued by the Issuer with a maturity of not less than eighteen months which qualify as *obbligazioni* (**banking bonds**) pursuant to Article 12 of Legislative Decree No. 385 of 1 September, 1993 (**Decree No. 385**), or as *obbligazioni or titoli similari alle obbligazioni* (**obbligazioni**) pursuant to Article 44 of Presidential Decree No. 917 of 22 December, 1986, as amended and supplemented (**Decree No. 917**).

#### *Italian Resident Noteholders*

Pursuant to Decree No. 239, where an Italian resident Noteholder is:

- (i) an individual holding Notes not in connection with entrepreneurial activity (unless he has entrusted the management of his financial assets, including the Notes, to an authorised intermediary and has opted for the so-called *risparmio gestito* regime according to Article 7 of Italian Legislative Decree No. 461 of 21 November, 1997, as amended (**Decree No. 461**) – the **Asset Management Option**); or
- (ii) a partnership (other than a *società in nome collettivo* or a *società in accomandita semplice* or similar partnership), *de facto* partnership not carrying out commercial activities or professional association; or
- (iii) a private or public institution not carrying out commercial activities; or
- (iv) an investor exempt from Italian corporate income taxation,

Interest payments relating to the Notes are subject to a substitute tax (***imposta sostitutiva***), levied at the rate of 12.5 per cent. (either when Interest is paid or obtained upon disposal of the Notes). All the above categories are qualified as “net recipients”.

Where the resident holders of the Notes described above under (i) and (iii) are engaged in an entrepreneurial activity to which the Notes are connected, *imposta sostitutiva* applies as a provisional income tax and may be deducted from the taxation on income due or be claimed for refund in the relevant tax return.

Pursuant to Decree No. 239, the 12.5 per cent. *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* (so called **SIMs**), fiduciary companies, *società di gestione del risparmio* (**SGRs**),

stock brokers and other qualified entities resident in Italy or by permanent establishments in Italy of banks or intermediaries resident outside Italy (**Intermediaries** and each an **Intermediary**).

Pursuant to Decree No. 239, Intermediaries or permanent establishments in Italy of foreign intermediaries must intervene in any way in the collection of Interest or, also as transferees, in transfers or disposals of the Notes.

Payments of Interest in respect of Notes issued by the Issuer that qualify as banking bonds or *obbligazioni* and have a maturity of not less than eighteen months are not subject to the 12.5 per cent. *imposta sostitutiva* if made to Noteholders who are: (a) Italian resident corporations or a similar commercial entities or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected; (b) Italian resident collective investment funds, SICAVs, Italian resident pension funds subject to the tax regime provided for by art. 17 of Legislative Decree No. 252 of 5 December, 2005, Italian resident real estate investment funds; and (c) Italian resident individuals holding Notes not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised financial intermediary and have opted for the Asset Management Option. Such categories are qualified as “gross recipients”.

To ensure payment of Interest in respect of the Notes without the application of 12.5 per cent. *imposta sostitutiva*, Noteholders indicated above under (a) to (c) must timely deposit the Notes together with the coupons relating to such Notes directly or indirectly with an Italian authorised financial Intermediary.

Where the Notes and the relevant coupons are not deposited with an authorised Intermediary, the *imposta sostitutiva* is withheld:

- by any Italian bank or any Italian intermediary paying Interest to the Noteholder; or
- by the Issuer,

and gross recipients that are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected are entitled to deduct *imposta sostitutiva* suffered from income taxes due.

Interest accrued on the Notes would be included in the corporate taxable income (and in certain circumstances, depending on the “status” of the Noteholder, also in the net value of production for purposes of regional tax on productive activities - IRAP) of the Noteholders who are Italian resident corporations or similar commercial entities or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected, subject to tax in Italy in accordance with ordinary tax rules.

Italian resident individuals holding Notes not in connection with entrepreneurial activity who have opted for the Asset Management Option are subject to a 12.5 per cent. annual substitute tax (the **Asset Management Tax**) on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorised intermediary.

Where an Italian resident Noteholder is an open-ended or a closed-ended investment fund (the **Fund**) or a SICAV and the Notes are deposited with an authorised intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but will be included in the calculation of the net result accrued at the end of each tax year to be subject to a 12.5 per cent. annual substitute tax (each the **Collective Investment Fund Tax**). The 12.5 per cent. substitute tax is calculated on the net result accrued at the end of the tax period.

Italian resident pension funds subject to the regime provided by article 17 of the Legislative Decree No. 252 of 5 December, 2005 are subject to an 11 per cent. annual substitute tax (the **Pension Fund Tax**) on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes).

The 12.5 per cent. *imposta sostitutiva* provided for by Decree No. 239 in general should not apply with respect to Interest on Notes derived by all Italian resident real estate investment funds, established

pursuant to Article 37 of Legislative Decree No. 58 of 24 February, 1998, as amended and supplemented, and Article 14-bis of Law No. 86 of 25 January, 1994 including any real estate investment funds not subject to the tax treatment provided for by Decree No. 351, provided that the Notes, together with the coupons relating thereto, are timely deposited directly or indirectly with an Italian authorised financial intermediary (or permanent establishment in Italy of a foreign intermediary).

#### *Non-Italian resident noteholders*

According to Decree No. 239, payments of Interest in respect of Notes issued by the Issuer that qualify as banking bonds or *obbligazioni* and have a maturity of not less than eighteen months will not be subject to the *imposta sostitutiva* at the rate of 12.5 per cent. provided that:

- (a) the payments are made to non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected;
- (b) such beneficial owners are resident, for tax purposes, in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information. Please note that according to the Law No. 244 of 24 December, 2007 a Decree still to be issued will introduce a new "white list" replacing the current "black list" system, so as to identify those countries which allow for a satisfactory exchange of information; and
- (c) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are timely met and complied with.

The 12.5 per cent. *imposta sostitutiva* may be reduced (generally to 10 per cent. or to zero) under certain double tax treaties entered into by Italy, if more favourable, subject to timely filing of required documentation.

Decree No. 239 also provides for additional exemptions from the *imposta sostitutiva* for payments of Interest in respect of the Notes made to (i) international entities and organisations established in accordance with international agreements ratified in Italy; (ii) certain foreign institutional investors even though not subject to income tax or to the other similar taxes, which are established in countries which allow for an adequate exchange of information with Italy and provided that they timely file with the relevant depository the appropriate self declaration; and (iii) central banks or entities managing official State reserves.

In order to ensure gross payment of Interest in respect of the Notes, non-Italian resident investors indicated above must:

- (a) be the beneficial owners of the payments of Interest on the Notes; and
- (b) timely deposit the Notes with the coupons relating to such Notes directly or indirectly with (i) an Italian bank or "*società di intermediazione mobiliare*" (so called SIMs) or with (ii) a permanent establishment in Italy of a non-resident bank or brokerage company which is electronically connected with the Italian Ministry of Economy and Finance, or with (iii) a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance; and
- (c) timely file with the relevant depository, prior to or concurrently with the deposit of the Notes, a self-declaration (*autocertificazione*) stating, *inter alia*, that the investor is resident, for tax purposes, in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information. Such self-declaration, which must comply with the requirements set forth by a Decree of the Ministry of Economy and Finance of 12 December, 2001 (as amended and supplemented), is valid until withdrawn or revoked and need not be submitted where a certificate, declaration or other similar document meant for equivalent uses was previously submitted to the same depository. Such certificate is not requested for non-Italian investors that are international entities and organisations set up in accordance with international agreements ratified in Italy and Central Banks or entities managing also the official State reserves.



Failure of a non-resident Noteholder to timely comply with the procedures set forth in Decree No. 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interests payments to a non-resident Noteholder.

#### *Early redemption*

Without prejudice to the above provisions, in the event that Notes that qualify as banking bonds or *obbligazioni* issued by the Issuer with an original maturity of not less than 18 months are redeemed, in full or in part, prior to 18 months from the Issue Date, the Issuer will be required to pay an additional amount equal to 20 per cent. of the Interest accrued on the Notes up to the date of the early redemption, pursuant to Article 26, first paragraph, of Presidential Decree No. 600 of 29 September, 1973, as amended (**Decree No. 600**). In accordance with one interpretation of Italian tax law, also in the event of purchase of Notes by the Issuer with subsequent cancellation thereof prior to eighteen months from the date of issue, the Issuer may be required to pay the above 20 per cent. additional amount.

#### *Tax treatment of Notes that qualify as “obbligazioni” or “titoli similari alle obbligazioni” and have a maturity of less than 18 months*

Pursuant to Article 26 of Decree No. 600, interest and other proceeds on Notes that qualify as banking bonds or as *obbligazioni* issued by the Issuer with an original maturity of less than 18 months shall be subject to a withholding tax, levied at the rate of 27 per cent.

Where the Noteholder is (i) an Italian resident individual engaged in an entrepreneurial activity to which the Notes are connected, (ii) an Italian resident company or a similar Italian commercial entity, (iii) a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected, (iv) an Italian resident commercial partnership, or (v) an Italian resident commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases, the withholding tax is a final withholding tax.

Where the Noteholder is not resident in Italy for tax purposes, the 27 per cent. withholding tax rate may be reduced (generally to 10 per cent. or to zero) under certain applicable double tax treaties entered into by Italy, if more favourable, subject to timely filing of required documentation.

#### **Tax treatment of Notes that qualify as atypical securities**

Interest payments relating to Notes that do not qualify as banking bonds and are not deemed to fall within the category of *obbligazioni* or securities similar to bonds (*titoli similari alle obbligazioni*) shall be subject to a withholding tax levied at the rate of 27 per cent. (final or provisional depending on the “status” and the tax residence of the Noteholder). Pursuant to Article 44 of Decree No. 917, for securities to qualify as *titoli similari alle obbligazioni* (debentures similar to bonds) they must incorporate an unconditional obligation to pay at maturity an amount not lower than that therein indicated.

Where the Noteholder is not resident in Italy for tax purposes, the 27 per cent. withholding tax rate may be reduced (generally to 10 per cent. or to zero) under certain applicable double tax treaties entered into by Italy, if more favourable, subject to timely filing of required documentation.

In the case of Notes issued by an Italian resident issuer, where the Noteholder is (i) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected, (ii) an Italian company or a similar Italian commercial entity, (iii) a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected, (iv) an Italian commercial partnership or (v) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases the withholding tax is a final withholding tax.

## **Capital gains tax**

### *Italian resident noteholders*

Pursuant to Decree No. 461, a 12.5 per cent. capital gains tax (referred to as *imposta sostitutiva*) is applicable to capital gains realised by Italian resident individuals not engaged in entrepreneurial activities to which the Notes issued by the Issuer are connected, on any sale or transfer for consideration of the Notes or redemption thereof.

Under the “tax declaration regime” (*regime della dichiarazione*), which is the default regime for taxation of capital gains realised by Italian resident individuals not engaged in an entrepreneurial activity, the 12.5 per cent. *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss of the same kind, realised by the Italian resident individual Noteholder holding the Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss of the same kind, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains of the same kind realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the *risparmio amministrato* regime provided for by Art. 6 of Decree No. 461). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with any authorised intermediary and (ii) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder. The authorised intermediary is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes, as well as in respect of capital gains realised upon the revocation of its mandate, net of any incurred capital loss of the same kind, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management relationship in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return and the Noteholder remains anonymous.

Special rules apply if the Notes are part of (i) a portfolio managed in a regime of Asset Management Option (*risparmio gestito* regime) by an Italian asset management company or an authorised intermediary or (ii) an Italian *Organismo di Investimento Collettivo del Risparmio* or **OICR** (which includes a *Fondo Comune di Investimento* or SICAV). In both cases, capital gains on the Notes will not be subject to 12.5 per cent. *imposta sostitutiva* on capital gains but will respectively contribute to determine the taxable base of the Asset Management Tax and of the Collective Investment Fund Tax.

In particular, under the Asset Management Option, any appreciation of the Notes, even if not realised, will contribute to determine the annual accrued appreciation of the managed portfolio, subject to the Asset Management Tax. Any depreciation of the managed portfolio accrued at year-end may be carried forward against appreciation accrued in each of the following years up to the fourth. Also under the Asset Management Option the realised capital gain is not requested to be included in the annual income tax return of the Noteholder and the Noteholder remains anonymous.

In the case of Notes held by investment funds and SICAVs, capital gains on Notes contribute to determine the increase in value of the managed assets of the funds or SICAVs accrued at the end of each tax year, subject to the Collective Investment Fund Tax at the relevant applicable rate.

Any capital gains realised by Italian resident corporations or similar commercial entities or permanent establishments in Italy of non-Italian resident corporations to which the Notes are connected will be included

in their business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes), subject to tax in Italy according to the relevant ordinary tax rules.

Any capital gains on Notes realised by Italian resident real estate investment funds, established pursuant to Article 37 of Legislative Decree No. 58 of 24 February, 1998, as amended and supplemented, and Article 14-bis of Law No. 86 of 25 January, 1994 will not be subject to 12.5 per cent. *imposta sostitutiva* on capital gains.

#### *Non-Italian Resident Noteholders*

The 12.5 per cent. *imposta sostitutiva* on capital gains may in certain circumstances be payable on any capital gains realised upon sale, transfer or redemption of the Notes by non-Italian resident individuals and corporations without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However, pursuant to Art. 23, first paragraph, letter F, of Decree No. 917, any capital gains realised by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected through the sale for consideration or redemption of the Notes are not subject to taxation in Italy to the extent that the Notes are traded on a regulated market in Italy or abroad, and in certain cases subject to timely filing of required documentation (in the form of a self-declaration not to be resident in Italy for tax purposes) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the Notes are deposited, even if the Notes are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

Where the Notes are not traded on a regulated market in Italy or abroad and are held in Italy:

- (a) Pursuant to the provisions of Decree No. 461 and Decree No. 239, non-Italian resident Noteholders with no permanent establishment in Italy to which the Notes are effectively connected are exempt from *imposta sostitutiva* in the Republic of Italy on any capital gains realised upon sale for consideration or redemption of the Notes if they are resident, for tax purposes, in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information.

Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected hold Notes with an Italian authorised financial intermediary and are subject to the *risparmio amministrato* regime or elect for the Asset Management Option, exemption from Italian taxation on capital gains will apply upon condition that they file in time with the authorised financial intermediary an appropriate self-declaration stating that they are resident, for tax purposes, in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information.

Exemption from Italian *imposta sostitutiva* on capital gains realised upon disposal of Notes not traded on a regulated market also applies to non-Italian residents who are (a) international bodies and organisations established in accordance with international agreements ratified in Italy; (b) certain foreign institutional investors, even though not subject to income tax or to other similar taxes, established in countries which allow an adequate exchange of information with Italy and (c) Central Banks or other entities, managing also official State reserves.

- (b) In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty with Italy, providing that capital gains realised upon sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon sale for consideration or redemption of Notes.

Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected hold Notes with an Italian authorised financial intermediary and are subject to the *risparmio amministrato* regime or elect for the Asset

Management Option, exemption from Italian taxation on capital gains will apply upon condition that the non-Italian residents file in time with the authorised financial intermediary appropriate documents which include, *inter alia*, a certificate of residence from the competent tax authorities of their country of residence.

The *Risparmio Amministrato* regime is the ordinary regime automatically applicable to non-resident persons and entities in relation to Notes deposited for safekeeping or administration at Italian banks, SIMs and other eligible entities, but non-resident Noteholders retain the right to waive this regime. Such waiver may also be exercised by non-resident intermediaries in respect of safekeeping, administration and deposit accounts held in their names in which third parties' financial assets are held.

### ***Inheritance and gift taxes***

Pursuant to Law Decree No. 262 of 3 October, 2006 (**Decree No. 262**), converted into Law No. 286 of 24 November, 2006, the transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation are subject to "Inheritance and Gift Tax" (*imposta sulle successioni e donazioni*) under the Legislative Decree No. 346 of 31 October, 1990 as follows:

- (i) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding €1,000,000 for each beneficiary;
- (ii) transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding €100,000 for each beneficiary;
- (iii) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree, are subject to an inheritance and gift tax applied at a rate of 6 per cent. on the entire value of the inheritance or the gift; and
- (iv) any other transfer is subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

In cases where the beneficiary has a serious disability, inheritance and gift taxes will apply on its portion of the net asset value exceeding €1,500,000.

### ***Transfer Tax***

The Italian transfer tax (*tassa sui contratti di borsa*) has been abolished starting from 31 December, 2007.

Following the repeal of the Italian transfer tax, as from 31 December, 2007 contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarized deeds are subject to fixed registration tax at a rate of €168; (ii) private deeds are subject to registration tax at a rate of €168 only in the case of use (i.e. when a document is filed with an Italian administrative authority or with a judicial authority acting in the course of its administrative activities with the purpose of obtaining by the receiving authority the issue of an administrative act) or voluntary registration.

### ***Tax Monitoring***

Pursuant to Italian Law Decree No. 167 of 28 June, 1990, converted by Law No. 227 of 4 August, 1990, as amended (**Decree 167/1990**), individuals, non commercial institutions and non-commercial partnerships resident in Italy who, at the end of the fiscal year, hold investments abroad or have foreign financial assets (including Notes held abroad and/or Notes issued by a non-Italian resident issuer) must, in certain circumstances, disclose the aforesaid and related transfers to, from and occurring abroad, to the Italian Tax Authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time prescribed for the income tax return).

This obligation does not exist (i) in cases where each of the overall value of the foreign investments or financial assets at the end of the fiscal year, and the overall value of the related transfers to, from and occurring abroad carried out during the relevant fiscal year, does not exceed €10,000, as well as (ii) in cases where the financial assets are given in administration or management to Italian banks, SIMs, fiduciary companies or other professional intermediaries, indicated in Art. 1 of Decree 167/1990, or if one of such intermediaries intervenes, also as a counterpart, in their transfer, provided that income deriving from such financial assets is collected through the intervention of such an intermediary.

## **EU SAVINGS DIRECTIVE**

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September, 2008, the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November, 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April, 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

### **Implementation in Italy of the EU Savings Directive**

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

## **TAXATION IN LUXEMBOURG**

The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

### **Withholding Tax**

#### ***Non-resident holders of Notes***

Under Luxembourg general tax laws currently in force and subject to the laws of 21 June, 2005 (the **Laws**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any

Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

Under the Laws implementing EC Council Directive 2003/48/EC of 3 June, 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the **Territories**), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which is a resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Where withholding tax is applied, it is currently levied at a rate of 20 per cent. and will be levied at a rate of 35 per cent. as of 1 July, 2011. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Laws would at present be subject to a withholding tax of 20 per cent.

### ***Resident holders of Notes***

Under Luxembourg general tax laws currently in force and subject to the law of 23 December, 2005 (the **Law**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 10 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Law would be subject to a withholding tax of 10 per cent.

## SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement dated 29 July, 2009 as supplemented by a supplemental programme agreement dated 6 August 2010 (together, the **Programme Agreement**), agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### United States

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

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms.

### Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

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

- (b) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

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

### United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and Article 34-ter, first paragraph, letter *b*) of CONSOB Regulation No. 11971 of 14 May, 1999, as amended from time to time (**Regulation No. 11971**); or



- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October, 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September, 1993, as amended (the **Banking Act**);
- (b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable laws and regulations or requirements imposed by CONSOB or other Italian authority.

## **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Law No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## **General**

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Trustee nor any of the other Dealers shall have any responsibility therefor.

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that, other than with respect to the listing of the Notes on the stock exchange, no action has been taken or will be taken in any jurisdiction by the Issuer or the Dealers that would permit a public offering, of Notes or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required.

None of the Issuer, the Trustee and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

## GENERAL INFORMATION

### Authorisation

The establishment of the Programme, the annual update of the Programme and the issue of Notes have been duly authorised by resolutions of the Board of Directors of the Issuer dated 2 December, 2003, 8 November, 2005, 13 March, 2007 and 22 April, 2008.

### Approval, Listing of Notes and Admission to Trading

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

### Documents Available

For as long as the Programme remains valid with the Luxembourg Stock Exchange, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified offices of the Paying Agent for the time being in Luxembourg:

- (a) the by-laws (with an English translation thereof) of the Issuer;
- (b) the non-consolidated and consolidated audited financial statements of the Issuer in respect of the financial years ended 31 December, 2008 and 2009 (with an English translation thereof, in each case together with the audit reports prepared in connection therewith) and the unaudited first quarter consolidated financial statements of the Issuer for the three months ended 31 March, 2009 and 2010. The Issuer currently prepares audited consolidated and non-consolidated accounts on an annual basis;
- (c) the most recently published audited annual financial statements of the Issuer in each case together with the audit reports prepared in connection therewith and the most recently published unaudited interim financial statements of the Issuer (with an English translation thereof). The Issuer currently prepares unaudited consolidated interim accounts on a quarterly and semi-annual basis;
- (d) the Programme Agreement, the Trust Deed, the Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (e) a copy of this Offering Circular;
- (f) any future offering circulars, prospectuses, information memoranda, supplements and Final Terms (save that a Final Terms relating to a Note, which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and
- (g) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

In addition copies of this Offering Circular, each Final Terms relating to Notes which are admitted to trading on the Luxembourg Stock Exchange's regulated market and each document incorporated by reference are available on the Luxembourg Stock Exchange's website ([www.bourse.lu](http://www.bourse.lu)).

## Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

## Conditions for Determining Price

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

## Significant or Material Change

Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Group since 31 March, 2010 and there has been no material adverse change in the prospects of the Issuer since 31 December, 2009.

## Litigation

Neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

## Major Shareholders

The following table lists, as at 18 June, 2010, the only persons or entities known to be the beneficial owners of more than 2 per cent. of the Bank's shares based on the information held by the Bank:

	<i>Number of Shares</i>	<i>% of Total Share Capital</i>
CM-CIC Group <sup>(*)</sup> .....	20,710,208	4.990%
J.P. Morgan Group <sup>(*)</sup> .....	15,516,434	3.738%
Blackrock Inc. Group <sup>(*)</sup> .....	13,510,129	3.255%
Dimensional Fund Advisors L.P.....	8,309,132	2.002%
Market .....	356,994,982	86.015%
<b>Total</b> .....	<b>415,040,885</b>	<b>100.00%</b>

(\*) Held through direct and indirect subsidiaries.

So far as the Issuer is aware, it is not directly or indirectly owned or controlled by any single person or group of persons, and there are no arrangements which may at a subsequent date result in a change of control of the Issuer.

## Material Contracts

Except as disclosed herein, neither the Issuer nor any of its consolidated subsidiaries have entered into any contracts in the last two years outside the ordinary course of business that have had or may reasonably be expected to have a material effect on their business.

**Auditors**

On 21 April, 2007, the Issuer appointed Reconta Ernst & Young S.p.A. as its auditor to audit its financial statements for a 9 year period starting from the financial statements as at and for the year ending 31 December, 2007. The financial statements of the Issuer as at and for the years ended 31 December, 2008 and 2009 were audited, without qualification, by Reconta Ernst & Young S.p.A. Reconta Ernst & Young S.p.A. is registered in the CONSOB register of auditing firms and is a member of the Italian Society of Auditors (ASSIREVI).

**Trustee's Action**

The Notes provide for the Trustee to take action on behalf of the Noteholders in certain circumstances, but only if the Trustee is indemnified to its satisfaction. It may not be possible for the Trustee to take certain actions and accordingly in such circumstances the Trustee will be unable to take such actions, notwithstanding the provision of an indemnity to it, and it will be for Noteholders to take action directly.

The Trust Deed contains provisions permitting the Trustee to rely on any certificate or report of any other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of the Trust Deed, the Notes, the Receipts and/or the Coupons notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Trustee in connection therewith contains a monetary or other limit on the liability of such other person.

**Post-issuance Information**

The Issuer does not intend to provide any post-issuance information in relation to any assets underlying issues of Notes constituting derivative securities.

## **THE ISSUER**

**Banca Popolare di Milano S.C.a r.l.**  
Piazza Filippo Meda, 4  
20121 Milan  
Italy

## **TRUSTEE**

**Citicorp Trustee Company Limited**  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

## **ISSUING AND PRINCIPAL PAYING AGENT**

**Citibank, N.A., London Branch**  
21st Floor, Citigroup Centre  
Canada Square  
Canary Wharf  
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United Kingdom

## **PAYING AGENT**

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## **LEGAL ADVISERS**

*To the Issuer as to Italian law*

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Italy

*To the Issuer as to Italian tax law*

**Studio Vitali Romagnoli Piccardi & Associati**  
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20122 Milan  
Italy

*To the Dealers and the Trustee as to English and Italian law*

**Allen & Overy LLP**  
One Bishops Square  
London E1 6AD  
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**Allen & Overy**  
**Studio Legale Associato**  
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Italy

## AUDITORS

### **Reconta Ernst & Young S.p.A.**

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Italy

## DEALERS

### **Banca Akros S.p.A. (Gruppo Banca Popolare di Milano)**

Viale Eginardo, 29  
20149 Milan  
Italy

### **Banca IMI S.p.A.**

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Italy

### **Banca Popolare di Milano S.C.a r.l.**

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### **Barclays Bank PLC**

5 The North Colonnade  
Canary Wharf  
London E14 4BB  
United Kingdom

### **Citigroup Global Markets Limited**

Citigroup Centre  
Canada Square  
London E14 5LB  
United Kingdom

### **Crédit Agricole Corporate and Investment Bank**

9 quai de Président Paul Doumer  
92920 Paris-La-Défense Cedex  
France

### **Deutsche Bank AG, London Branch**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

### **Dexia Banque Internationale à Luxembourg acting under the name of Dexia Capital Markets**

69, Route d'Esch  
L-2953 Luxembourg

### **Goldman Sachs International**

Peterborough Court  
133 Fleet Street  
London EC4A 2BB  
United Kingdom

### **J.P. Morgan Securities Ltd.**

125 London Wall  
London EC2Y 5AJ  
United Kingdom

### **Mediobanca – Banca di Credito Finanziario S.p.A.**

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20121 Milan  
Italy

### **Merrill Lynch International**

2 King Edward Street  
London EC1A 1HQ  
United Kingdom

### **Morgan Stanley & Co. International plc**

25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom

### **The Royal Bank of Scotland plc**

135 Bishopsgate  
London EC2M 3UR  
United Kingdom

## LUXEMBOURG LISTING AGENT

### **Dexia Banque Internationale à Luxembourg**

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