



BASE PROSPECTUS

BANCA DELLE MARCHE S.p.A.

(incorporated with limited liability under the laws of the Republic of Italy)

Euro 3,500,000,000

Euro Medium Term Note Programme

This document has been approved as a base prospectus (the "**Base Prospectus**") issued in compliance with Article 5.4 of Directive 2003/71/EC (the "**Prospectus Directive**") by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") in its capacity as competent authority under the *loi relative aux prospectus pour valeurs mobilières* dated 10 July 2005 which implements the Prospectus Directive in Luxembourg. Application has been made by Banca delle Marche S.p.A. (the "**Issuer**") for notes ("**Notes**") issued under the €3,500,000,000 Euro Medium Term Note Programme (the "**Programme**") described in this Base Prospectus during the period of twelve months after the date hereof, to be listed on the official list and admitted to trading on the regulated market (the "**Regulated Market**") of the Luxembourg Stock Exchange. The Regulated Market of the Luxembourg Stock Exchange is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC. The Programme also allows for Notes to be unlisted or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements 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 Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, where the Notes are denominated in a currency other than Euro, the equivalent amount in such other currency). Under the Programme, the Issuer, subject to compliance with all relevant laws, rules, regulations and directives, may from time to time issue notes in bearer form denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The CSSF assumes no responsibility with regards to the economic and financial soundness of any transaction under this Programme or the quality and solvency of the Issuer in line with the provisions of article 7(7) of the Luxembourg law on prospectuses for securities.

As more fully set out in "Taxation", payments of interest, premium (if any) and other similar amounts relating to Notes qualifying as bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*) are subject in principle to a 12.5 per cent. substitutive tax (referred to as the *imposta sostitutiva*), in certain circumstances. In order to obtain exemption at source from the *imposta sostitutiva* in respect of payments of interest, premium or other amounts relating to such Notes, each Noteholder not resident in the Republic of Italy is generally required to certify, *inter alia*, that such Noteholder is (i) deemed to be resident in a country which allows for a satisfactory exchange of information with the Republic of Italy and (ii) the beneficial owner of payments of interest, premium or other similar amounts relating to the Notes. Payments of interest, premium (if any) and other similar amounts relating to Notes with an original maturity of less than 18 months or qualifying as atypical securities (*titoli atipici*) are, as of the date of this Base Prospectus, subject to a withholding tax at the rate of 27 per cent. The Issuer will not be liable to pay any additional amounts to Noteholders in relation to any such withholding.

Italian Law Decree No. 138 of 13 August 2011 ("**Decree No. 138**"), published in Official Gazette No. 188 of 13 August 2011 and finally converted by Law No. 148 of 14 September 2011, introduces important changes in the tax treatment of interest, other proceeds and capital gains accrued or realised under the Notes, which will apply as of 1 January 2012. Such changes are described more in depth in the section "Taxation – Italian Taxation" below.

Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations under the Notes are discussed under "Risk Factors" below.

Arranger

The Royal Bank of Scotland

Dealers

Banca IMI

Natixis

The Royal Bank of Scotland

14 December 2011

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IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Base Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "Terms and Conditions of the Notes" (the "**Conditions**") as amended and/or supplemented by a document specific to such Tranche called final terms (the "**Final Terms**"). This Base Prospectus must be read and construed together with any supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes, must be read and construed together with the relevant Final Terms.

The Issuer has confirmed to the Dealers named under "Subscription and Sale" below that this Base Prospectus (including for this purpose, each relevant Final Terms) contains all information which is (in the context of the Programme and the issue, offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions, expectations or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions, expectations or intentions (in the context of the Programme and the issue, offering and sale of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

No representation or warranty is made or implied by the Dealers or any of their respective affiliates, and none of the Dealers nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise), business, prospects or general affairs of the Issuer or any of its subsidiaries since the date thereof or, if later, the date upon which this Base Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

This Base Prospectus may only be used for the purposes for which it has been published. The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the

Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "Subscription and Sale". In particular, 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 U.S. persons as defined in Regulation S under the Securities Act.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise), business, prospects and general affairs of the Issuer and its subsidiaries.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed Euro 3,500,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into Euro at the date of the agreement to issue such Notes, calculated in accordance with the provisions of the Dealer Agreement (as defined under "Subscription and Sale")). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "Subscription and Sale".

In this Base Prospectus, unless otherwise specified: references to a "**Condition**" are to the correspondingly numbered provision set forth in "Terms and Conditions of the Notes"; references to "€", "**EUR**" or "**Euro**" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Communities (as amended); references to "**U.S.\$**", "**U.S. dollars**" or "**dollars**" are to the lawful currency for the time being of the United States; references to "**£**" and "**Sterling**" are to the lawful currency for the time being of the United Kingdom; and references to "**billions**" are to thousands of millions.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In connection with the issue of any Tranche of Notes under the Programme, 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 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.

GENERAL DESCRIPTION

This section is a general description of the Programme, as provided under Article 22.5(3) of Regulation (EC) 809/2004. This description does not purport to be complete and is qualified in its entirety by the remainder of this Base Prospectus. Words and expressions defined in "Terms and Conditions of the Notes" or elsewhere in the Base Prospectus have the same meaning in this description.

Issuer:	Banca delle Marche S.p.A.
Arranger:	The Royal Bank of Scotland plc
Dealers:	Banca IMI S.p.A., Natixis, The Royal Bank of Scotland plc and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.
Fiscal Agent;	Citibank N.A.
Luxembourg Paying Agent:	The Bank of New York
Luxembourg Listing Agent:	The Bank of New York Mellon (Luxembourg) S.A.
Listing, Approval and Admission to Trading:	The CSSF has approved this Base Prospectus as a base prospectus in compliance with the Prospectus Directive. Application has also been made for Notes issued under the Programme to be listed on the Official List of and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange. Notes may be listed, admitted to trading or quoted (as the case may be) on other or further stock exchanges, markets or quotation systems agreed between the Issuer and the relevant Dealer in relation to each Series. Notes may also be issued which are neither listed, nor quoted or admitted to trading on any market.
Clearing Systems:	Euroclear and/or Clearstream, Luxembourg and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.
Initial Programme Amount:	Up to Euro 3,500,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Issuance in Series:	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms,

except that the issue date, issue price, nominal amount and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects, save that a Tranche may comprise Notes of different denominations.

Final Terms:

Each Tranche will be the subject of Final Terms which, for the purposes of that Tranche only, completes the Terms and Conditions of the Notes and this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes are the Terms and Conditions of the Notes as completed, amended and/or replaced by the relevant Final Terms.

In addition, where the Issuer agrees with any Dealer to issue Notes in a form not contemplated in the section of this Base Prospectus entitled "Form of Final Terms", a drawdown prospectus will be made available and will describe the effect of the agreement in relation to such Notes.

Forms of Notes:

Notes may only be issued in bearer form.

Each Tranche of Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note which is not intended to be issued in new global note form (a "**Classic Global Note**" or "**CGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (a "**New Global Note**" or "**NGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. New Global Notes are intended to be held in a manner which would allow Eurosystem eligibility, such eligibility depending upon satisfaction of the Eurosystem eligibility criteria.

Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules

are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

Currencies:

Notes may be denominated in Euro, U.S. dollars or Sterling or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.

Status of the Notes:

Notes may be issued on a subordinated or unsubordinated basis, as specified in the relevant Final Terms.

(i) Status of the Senior Notes:

Senior Notes constitute direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer which will rank at all times *pari passu* among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, save for any such obligations as may be preferred by mandatory provisions of law. See Condition 4 (*Status of Senior Notes*).

(ii) Status of the Subordinated Notes:

Subordinated Notes (Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes and Tier III Subordinated Notes, as the case may be) all constitute direct, unsecured and subordinated obligations of the Issuer and will rank *pari passu* and without any preference among themselves, all as described in Condition 5 (Status and Special Provisions of Subordinated Notes) and the relevant Final Terms.

In the event of a winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Issuer,

the payment obligations of the Issuer in respect of principal and interest under Subordinated Notes and any related Receipts and Coupons will rank in right of payment (A) after unsubordinated unsecured creditors (including depositors and any holder of Senior Notes) of the Issuer (B) 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 Subordinated Notes and (C) in priority to the claims of shareholders of the Issuer, all as described in Condition 5 (*Status and Special Provisions of Subordinated Notes*).

Deferral and reduction of payments under Subordinated Notes:

The payment obligations arising under Upper Tier II and Tier III Subordinated Notes are subject to additional limitations, as follows:

(i) Upper Tier II Subordinated Notes:

The claims of the holders of Upper Tier II Subordinated Notes in relation to payments of principal and interest will be reduced to the extent necessary to enable the Issuer to maintain its capital at certain minimum levels required by the Bank of Italy. In addition, the Issuer may defer interest payments on such Notes in certain circumstances where annual or interim dividends are not declared. Obligations of the Issuer to pay interest or principal which are so deferred or reduced will be subject to reinstatement in certain circumstances. See Condition 5 (*Status and Special Provisions of Subordinated Notes*).

(ii) Tier III Subordinated Notes:

Payment of interest and principal due under Tier III Subordinated Notes is subject to suspension where such payments would otherwise reduce the Issuer's capital below certain minimum levels required by the Bank of Italy and interest will not accrue on any such unpaid amounts. See Condition 5 (*Status and Special Provisions of Subordinated Notes*).

Issue Price:

Notes may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Issuer, and the

relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

Maturities:

Any Maturity Period or, in the case of Subordinated Notes with no fixed maturity date, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 by the Issuer.

Under applicable laws and regulations at the date of this Base Prospectus: (i) Upper Tier II Subordinated Notes may be perpetual (*passività irredimibile*) or have a fixed Maturity Period of not less than ten years, (ii) Lower Tier II Subordinated Notes must have a Maturity Period of not less than five years and (iii) Tier III Subordinated Notes must have a Maturity Period of not less than two years. If Lower Tier II Subordinated Notes or Tier III Subordinated Notes have an indefinite Maturity Period, Lower Tier II Subordinated Notes may be redeemable only after five years' prior notice to Noteholders and Tier III Subordinated Notes may be redeemable only after two years' prior notice to Noteholders.

As of the date of this Base Prospectus, Notes with an original Maturity Period of less than 18 months are subject to a withholding tax at the rate of 27 per cent. per annum in respect of interest and premium (if any), pursuant to Presidential Decree No. 600 of 29 September 1973, as amended. The Issuer will not be liable to pay any additional amounts to Noteholders in relation to any such

withholding.

Starting from 1 January 2012, Notes with an original Maturity Period of less than 18 months will be subject to *imposta sostitutiva* at the rate of 20 per cent. per annum in respect of interest and premium (if any), pursuant to Presidential Decree No. 239 of 1 April 1996.

Redemption:

Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Final Terms. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Final Terms.

Optional Redemption:

Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or (where the Notes are Senior Notes) the Noteholders to the extent (if at all) specified in the relevant Final Terms and subject to all relevant legal and regulatory requirements.

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, ten 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.

The Notes may be also subject to optional redemption by the Issuer, (in the case of Subordinated Notes), if Regulatory Call is specified in the applicable Final Terms, in accordance with Condition 10(c) (Redemption for regulatory reasons) (Regulatory Call) if a proportion equal to or more than the Minimum Disqualification Amount of the Subordinated Notes ceases to qualify as "Lower Tier II capital", "Upper Tier II capital" or "Tier III capital", as applicable, as a result of changes after the date of issue of the relevant Subordinated Notes in the standards and guidelines of the Bank of Italy. Any redemption of Subordinated Notes issued by the Issuer is subject to the prior approval of the Bank of Italy.

Tax Redemption:

Except as described in "Optional Redemption" above, early redemption will only be permitted for tax reasons as described in Condition 10(b) (*Redemption and Purchase* -

Redemption for tax reasons).

Interest:

Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. Interest in respect of Upper Tier II Subordinated Notes and Tier III Subordinated Notes may be deferred, as provided in the Conditions applicable to such Notes.

Denominations:

Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements 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 Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, where the Notes are denominated in a currency other than Euro, the equivalent amount in such other currency).

Absence of Negative Pledge:

The terms of the Notes will not contain a negative pledge provision.

Cross Default:

Only the Senior Notes will have the benefit of a cross default as described in Condition 13(a) (*Events of Default of Senior Notes*).

Taxation:

All payments in respect of Notes will be made free and clear of withholding or deduction of Italian taxation, unless the withholding or deduction is required by law. In that event, the Issuer will (subject as provided in Condition 12 (*Taxation*)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding or deduction been required.

However, as more fully set out in Condition 12 (*Taxation*), the Issuer will not be liable to pay any additional amounts to Noteholders with respect to any payment, withholding or deduction pursuant to Italian Legislative Decree No. 239 of 1 April 1996 on account of Italian substitute tax (*imposta sostitutiva*), as defined therein in relation to interest or premium payable on, or other income deriving

from, any Notes. See "Taxation" below.

As of the date of this Base Prospectus, Notes with an original maturity of less than 18 months are subject to withholding tax at the rate of 27 per cent. per annum in respect of interest and premium (if any), pursuant to Italian Presidential Decree No. 600 of 29 September 1973, as amended. The Issuer will not be liable to pay any additional amounts to Noteholders in relation to any such withholding. See Condition 12 (*Taxation*).

Starting from 1 January 2012, Notes with an original Maturity Period of less than 18 months will be subject to *imposta sostitutiva* at the rate of 20 per cent. per annum in respect of interest and premium (if any), pursuant to Presidential Decree No. 239 of 1 April 1996.

Governing Law:

English law, except for Conditions 5 (*Status and Special Provisions of Subordinated Notes*), 10(f) (*Redemption of Subordinated Notes*) and 13(b) (*Events of Default of Subordinated Notes*) which shall be governed by, and construed in accordance with, Italian law.

Enforcement of Notes in Global Form:

In the case of Global Notes, individual investors' rights against the Issuer will be governed by a Deed of Covenant dated 14 December 2011, a copy of which will be available for inspection at the specified office of the Fiscal Agent.

Ratings:

Notes issued pursuant to the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will not necessarily be the same as any rating applicable to the Programme. Details of the rating, if any, attributable to a series of Notes will be specified in the relevant Final Terms.

Whether or not each credit rating applied for in relation to a Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EU) No. 1060/2009 (as amended by Regulation (EU) No. 513/2011) (the “**CRA Regulation**”) will be disclosed in the applicable Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7th June, 2010 which has

submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Selling Restrictions:

For a description of certain restrictions on offers, sales and delivery of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, Italy and Japan, see "Subscription and Sale" below.

Risk Factors:

There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "Risk Factors" below and include risks relating to competition and other operating and general banking risks, such as credit risk and interest rate risk. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme and include risks related to the structure of a particular issue of Notes, risks common to the Notes generally and risks related to the market generally.

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 the Notes are 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 Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes 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 Prospectus or incorporated by reference herein and reach their own views prior to making any investment decision.

References to the "Group" are to the Issuer and each of its consolidated Subsidiaries. Otherwise, words and expressions defined in "Terms and Conditions of the Notes" or elsewhere in this Base Prospectus have the same meaning in this section. References to a "Condition" is to such numbered condition in the Terms and Conditions of the Notes. Prospective investors should read the entire Prospectus.

Factors that may affect the Issuer's ability to fulfil its obligations under the Notes

The Issuer conducts a banking business and it is subject to risks within its business activities. The Issuer considers that the following are the principal categories of risks relevant to its business.

Competition in the Italian Market

Competition is intense in all of the Group's businesses in Italy. The Issuer derives nearly all of its income from its banking activities in Italy and in particular in the central regions of Italy, a mature market where competitive pressures have been increasing quickly and which is currently going through a process of consolidation, with large banking groups undergoing mergers and acquisitions. The banking sector has also seen the emergence in recent years of alternative distribution channels for many of the products that the Issuer offers. Furthermore, the recent deterioration of the Italian economy could add to the competitive environment, notably by increasing pressure to lower prices and through diminished business volumes. During recessionary periods, there may be less demand for loan products and a greater number of the Issuer's customers may default on their loans or other obligations.

Geographical and sectoral concentration of the Issuer's banking business

The Issuer's banking business consists mostly of traditional lending practices to its customer base, principally retail customers, small and medium-sized businesses and sole traders in the Marche region. Consequently, a downturn in the Marche region's economy could have a material effect on the Issuer and its results of operation and financial condition.

Growth of the Group

The strategic plan of the Issuer has set expansion objectives for the Group through the development of new branches and existing lines of business.

This growth strategy has weighed and will continue to weigh on the Group's resources, which are focussed on investments connected with the management of the growth and the implementation of new operating, procedural and control systems. Notwithstanding the fact that the commercial motivation for the growth strategy is an increase in levels of activity and profitability for the Group, there can be no assurance that the growth strategy will successfully achieve the planned results.

Changes in the regulatory framework

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 Bank and the CSSF in Luxembourg. These banking laws govern the activities in which banks such as the Issuer may engage and have been implemented 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. Any changes in how such regulations are applied or implemented for financial institutions may have a material effect on the Group's business and operations.

The regulatory framework governing the 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 Group. In particular:

- EU Directive 2009/111/EC (“**CRD II**”), which amended EU Directives 2006/48/EC and 2006/49/EC (together, the “**CRD**”) has changed the criteria for assessing capital eligible to be included in Tier I Capital and may require the Group to replace, over a staged grandfathering period, existing capital instruments that do not fall within these revised eligibility criteria.
- EU Directive 2010/76/EU (“**CRD III**”) was issued on 24 November 2010 amending further the CRD as regards capital requirements for the trading book and for re-securitisations and the supervisory review of remuneration policies. This Directive introduces a number of changes in response to the recent and current market conditions, such as:
 - increasing the capital requirements for financial institutions in respect of trading books to ensure that a bank's assessment of the risks connected with its trading book better reflects the potential losses from adverse market movements in stressed conditions;
 - limiting on investments in re-securitisations and imposing of higher capital requirements for re-securitisations to make sure that banks take proper account of the risks of investing in such complex financial products; and
 - restricting the remuneration payable to individuals fulfilling roles with a potential impact on a bank's risk profile.

The changes relating to remuneration have already come into force and the changes relating to the trading book and re-securitisation positions is expected to come into force on 31 December 2011.

- Furthermore, on 16 December 2010 and 13 January 2011, the Basel Committee issued its final guidance on the proposed changes to capital adequacy and liquidity requirements ("**Basel III**"), which envisages a substantial strengthening of existing capital rules. The main proposals are summarised as follows:
 - raising the quality of the Core Tier 1 capital base in a harmonised manner (including through changes to the items which give rise to adjustments to that capital base and a reform of the capital structure;
 - introducing a requirement for non-Core Tier I and Tier II capital instruments to have a mechanism that requires them to be written off on the occurrence of a bailout of the institution;
 - the strengthening of the risk coverage of the capital framework;
 - promoting the build up of capital buffers; and
 - introducing a new leverage ratio as well as short-term and long-term standards for funding liquidity (referred to as the Liquidity Coverage Ratio and the Net Stable Funding Ratio).

The implementation of the Basel III reforms will begin on 1 January 2013; however, the requirements are subject to a series of transitional arrangements and will be phased in over a period of time. Member countries will be required to implement the new capital standards from January 2013, the new Liquidity Funding Ratio from January 2015 and the Net Stable Funding Ratio from January 2018.

In the European Union, the Basel III proposals are expected to be implemented by way of further changes to the CRD, which will be transposed into national law by EU Member States. As at the date of this Base Prospectus, the European Commission has published a public consultation document on proposed amendments to the CRD ("**CRD IV**"), which reflects the consultation documents issued by the Basel Committee in December 2009 (the "**Basel III Proposal**"), later finalised in the form of Basel III; since few changes were made between the Basel III Proposal and Basel III, the CRD IV largely reflects the finalised Basel III. An updated public consultation document in respect of CRD IV is expected to be published later 2011. Once CRD IV is adopted, Italy will be required to enact implementing laws and regulations.

Significant uncertainty remains around the final requirements and implementation of these proposed initiatives. If certain of these measures were implemented as currently proposed, in particular the changes proposed by the Basel Committee and the CRD IV consultation document relating to instruments that are eligible to be included within the Core Tier 1 Capital base, they would be expected to have a significant impact on the capital and asset and liability management of the Group.

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. As the new framework of banking laws and regulations affecting the Issuer is currently being implemented, the manner in which those laws and related regulations will be applied to the operations of financial institutions is still evolving. No

assurance can be given that laws and regulations will be adopted, enforced or interpreted in a manner that will not have an adverse effect on the business, financial condition, cash flows and results of operations of the Issuer.

In addition, any changes to Italian tax laws could result in unfavourable effects on the Issuer's and the Group's future profits.

Risk management and impact of events which are difficult to anticipate

The Issuer's business and earnings are affected by general economic conditions, the performance of financial markets, interest rate levels, currency exchange rates, changes in law and regulations, changes in central bank's policies, particularly the Bank of Italy and the European Central Bank, and competitive factors, at regional, national and international levels. Each of these factors may change the level of demand for the Issuer's and the Group's products and services, the credit quality of borrowers and counterparties, the interest margins between lending income and borrowing costs and the value of investments and the Group's trading portfolio. The Issuer has devoted significant resources to developing policies, procedures and assessment methods to manage market, credit, liquidity, operating concentration, reputation, interest rate and residual risks and intends to continue to do so in the future.

Nonetheless, the Issuer's risk management techniques and strategy may not be fully effective in mitigating the Group's risk exposure in all market environments or against all types of risks, including risks that the Issuer fails to identify or anticipate.

Credit and market risk

To the extent that any of the instruments and strategies used by the Issuer to hedge or otherwise manage its exposure to credit or market risk are not effective, the Issuer may not be able to mitigate effectively its risk exposure in particular market environments or against particular types of risk.

The Issuer's trading revenues and interest rate risk are dependent upon its ability to identify properly, and mark to market, changes in the value of financial instruments caused by changes in market prices or interest rates. The Issuer's financial results also depend upon how effectively the Issuer determines and assesses the cost of credit.

Changes in interest rates

Market related risks for the Issuer denote the risks of depreciation/appreciation in the value of assets/liabilities due to changes in interest rates, stock prices, currency exchange rates and volatility. In particular, fluctuations in interest rates in Italy influence the Issuer's and its Group's financial performance.

The results of the Issuer's banking operations are affected by the Issuer's management of the interest rates sensitivity and, in particular, changes in market interest rates.

A mismatch on interest-earning assets and interest-bearing liabilities in any given period, which follows the changes in interest rates, may have a material effect on the Issuer's financial condition or results of operations.

The Issuer is subject to the current disruptions and volatility in the global financial markets

The Issuer is subject to the current disruptions and volatility in the global financial markets. During the course of 2011, the debt crisis in the Euro-zone has intensified and three countries (Greece, Ireland and Portugal) have requested the financial aid of the European Union and the International Monetary Fund. Credit quality has generally declined, as reflected by the repeated downgrades suffered by several countries in the Euro-zone periphery since the beginning of the sovereign debt crisis in May 2010. The large sovereign debts and fiscal deficits in European countries have raised concerns regarding the financial condition of Euro-zone financial institutions and their exposure to such countries. These concerns may have an impact on Euro-zone banks' funding.

In particular, the Issuer's credit rating is potentially exposed to the risk of reductions in the sovereign credit rating of Italy. On the basis of the methodologies used by Moody's, a potential downgrade of Italy's credit rating may have a potential knock-on effect on the credit rating of Italian issuers such as the Issuer and make it more likely that the credit rating of Notes issued under the Programme could be downgraded.

Liquidity Risk

Liquidity risk represents the risk of being unable to:

- Meet payment obligations as they become due or to fulfil its commitments to lend (a more narrow definition of liquidity risk);
- Obtain sufficient liquidity on the terms expected (funding risk); and
- Unwind or close out positions or do so without loss due to insufficient market depth or market disruptions (market liquidity risk).

In some of the Issuer's businesses, protracted adverse market movements, particularly the decline of asset prices, could reduce market activity and market liquidity. These developments could lead to material losses if the Issuer could not close out deteriorating positions in a timely way.

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 its control, such as liquidity constraints, general market conditions and confidence in the Italian banking system.

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 anticipated losses. This could turn 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 assets management services, as well as the Issuer's investments in and sales of products linked to the performance of financial assets.

Operational Risk

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

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

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 relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus 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 relevant Notes and the impact such investment 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 currency in which such investor's financial activities are principally denominated;
- (iv) understand thoroughly the terms of the relevant 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 issued under the Programme may be complex financial instruments and such instruments may be purchased by investors 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 the assistance of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such 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 certain of those features:

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of such 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.

In addition, if Regulatory Call is specified in the applicable Final Terms, the Issuer may also, at its option, redeem Subordinated Notes in accordance with Condition 10(c) (Redemption for regulatory reasons) (Regulatory Call) if a proportion equal to or more than the Minimum Disqualification Amount of the Subordinated Notes ceases to qualify as “Lower Tier II capital”, “Upper Tier II capital” or “Tier III capital”, as applicable, as a result of changes after the date of issue of the relevant Subordinated Notes in the standards and guidelines of the Bank of Italy. Any redemption of Subordinated Notes issued by the Issuer is subject to the prior approval of the Bank of Italy.

Redemption for tax reasons

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 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) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;
- (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.

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 when due could result in an investor losing all of its 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 such 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 the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such 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, 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, 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 to their nominal 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.

Risks related to Notes generally

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

Meetings and Noteholders

The Terms and Conditions of the Notes and the Agency Agreement 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.

Basel Capital Requirements Directive

The Basel Committee has issued proposals for reform of the 1988 Capital Accord and has proposed a framework which places enhanced emphasis on market discipline and sensitivity to risk. The Issuer cannot predict the precise effects of the potential changes that might result from implementation of the proposals on both its own financial performance or the impact on the pricing of its Notes issued under the Programme. Prospective investors in the Notes should consult their own advisers as to the consequences for them of the potential application of the New Basel Capital Accord proposals.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is 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. 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) with effect from the same date.

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. If a withholding tax is imposed on payment made by a Paying Agent, the Issuer will be required, save as provided in Condition 16(b) of the Notes, to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

Change of law

The Terms and Conditions of the Notes are governed by English law (except Condition 5 which is governed by Italian law) in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or Italian law or administrative practice in either of those jurisdictions after the date of issue of the relevant Notes.

Regulatory classification of the Notes

The intention of the Issuer is for Subordinated Notes to qualify on issue as “Lower Tier II capital”, “Upper Tier II capital” or “Tier III capital”, as applicable. Current regulatory practice by the Bank of Italy does not require (or customarily provide) a confirmation prior to the issuance of Subordinated Notes that the Notes will be treated as such.

Although it is the Issuer’s expectation that the Subordinated Notes qualify as “Lower Tier II capital”, “Upper Tier II capital” or “Tier III capital”, as applicable, there can be no representation that this is or will remain the case during the life of the Subordinated Notes or that the Subordinated Notes will be grandfathered under the implementation of future EU capital requirement regulations. If the Subordinated Notes are not grandfathered, or for any other reason cease to qualify as “Lower Tier II capital”, “Upper Tier II capital” or “Tier III capital”, as applicable, the Issuer will have the right to redeem the Subordinated Notes in accordance with Condition 10(c) (*Redemption for Regulatory Reasons*) (Regulatory Call). Any redemption of Subordinated Notes issued by the Issuer is subject to the prior approval of the Bank of Italy.

Risks related to the market generally

Set out below is a brief description of certain 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 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 or due to the official redenomination of the Specified Currency and/or Investor’s Currency) and the risk that authorities with jurisdiction over Specified Currency, and/or the Investor’s Currency 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 an issue of 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.

INFORMATION INCORPORATED BY REFERENCE

This Base Prospectus should be read and construed in conjunction with the documents incorporated by reference described below which form part of this Base Prospectus:

- the audited consolidated and unconsolidated annual financial statements of the Issuer as at and for the years ended 31 December 2009 and 2010 together with the accompanying notes and auditor's reports incorporated by reference herein which form part of this Base Prospectus;

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

The audited consolidated and unconsolidated annual financial statements of the Issuer as at and for the years ended 31 December 2009 and 2010 have been prepared in accordance with international accounting standards IAS/IFRS (International Accounting Standards/International Financial Reporting Standards) and shall be deemed to be incorporated in, and to form part of, this Base Prospectus, together (where applicable) with the accompanying notes and auditor's reports, save that any statement contained in this Base Prospectus or in any of the documents incorporated by reference in, and forming part of, this Base Prospectus shall be deemed to be modified or superseded to the extent that a statement contained in any document subsequently incorporated by reference by way of supplement prepared in accordance with Article 16 of the Prospectus Directive modifies or supersedes such statement.

Information contained in the documents incorporated by reference other than the information listed in the cross-reference list below is for information purposes only.

The Issuer will, at the specified offices of the Paying Agent, provide, free of charge, upon oral or written request, a copy of this Base Prospectus (or any document incorporated by reference in this Base Prospectus). Written or oral requests for such documents should be directed to the specified office of any of the Paying Agents or to the specified office of the Listing Agent in Luxembourg. In addition such documents will be available, without charge, on the website of the Luxembourg Stock Exchange (www.bourse.lu).

This Base Prospectus and the documents incorporated by reference herein have been filed with the CSSF and will also be published on the Luxembourg Stock Exchange's website (www.bourse.lu).

Cross-reference list

The following table shows where the information required under Annex IX, paragraph 11.1 of Commission Regulation (EC) No. 809/2004 can be found in the above-mentioned financial statements incorporated by reference in this Base Prospectus.

	<i>Audited Annual Financial Statements 2010</i>	<i>2009</i>
<i>Consolidated</i>		
Balance sheet	Page 36	Page 28
Income Statement	Page 37	Page 29
Statement of changes in equity	Page 38 - 39	Page 30 - 31
Cash flow statement	Page 40	Page 32
Accounting policies and explanatory notes	Page 43 - 62	Page 35 - 199
Auditors' reports	Page 212 - 213	Page 204 - 205
<i>Unconsolidated</i>		
Balance sheet	Page 82	Page 78
Income Statement	Page 83	Page 79
Statement of changes in equity	Page 84 -85	Page 80 - 81
Cash flow statement	Page 86	Page 82
Accounting policies and explanatory notes	Page 89 - 106	Page 85 - 254
Auditors' reports	Page 276 -277	Page 273 -274

SUPPLEMENTS AND DRAWDOWN PROSPECTUSES

The Issuer will prepare a replacement prospectus setting out the changes in the operations and financial conditions of the Issuer at least every year after the date of this Base Prospectus and each subsequent prospectus.

The Issuer has given an undertaking to the Dealers that, if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to the information contained in this Base Prospectus which is capable of affecting the assessment of the Notes, it shall prepare a supplement to this Base Prospectus or publish a replacement Base Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer any number of copies of such supplement as a Dealer may reasonably request.

In addition, the Issuer may agree with any Dealer to issue Notes in a form not contemplated in the section of this Base Prospectus entitled "Form of Final Terms". To the extent that the information relating to that Tranche of Notes constitutes a significant new factor in relation to the information contained in this Base Prospectus, a separate prospectus specific to such Tranche (a "**Drawdown Prospectus**") will be made available and will contain such information. Each Drawdown Prospectus will be constituted either (1) by a single document containing the necessary information relating to the Issuer and the relevant Notes or (2) pursuant to Article 5.4 of the Prospectus Directive, by a registration document containing the necessary information relating to the Issuer, a securities note containing the necessary information relating to the relevant Notes and, if necessary, a summary note. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, references in this Base Prospectus to information specified or identified in the Final Terms shall (unless the context requires otherwise) be read and construed as information specified or identified in the relevant Drawdown Prospectus.

FORMS OF THE NOTES

Each Tranche of Notes will initially be in the form of either a temporary global note (the "**Temporary Global Note**"), without interest coupons, or a permanent global note (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") which is not intended to be issued in new global note ("**NGN**") form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**") and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006 the European Central Bank (the "**ECB**") announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the Euro (the "**Eurosystem**"), provided that certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163 5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Final Terms specify the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note without interest coupons, interests in which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (viii) presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and
- (ix) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership,

within seven days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; *provided, however, that* in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Bearer Notes in definitive form ("**Definitive Notes**"):

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specify "in the limited circumstances described in the Permanent Global Note", then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 13 (Events of Default) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 45 days of the bearer requesting such exchange.

Where interests in the Permanent Global Note are to be exchanged for Definitive Notes in the circumstances described in (i) and (ii) above, Notes may only be issued in denominations which are integral multiples of the minimum denomination and may only be traded in such amounts, whether in global or definitive form. As an exception to the above rule, where the Permanent Global Note may only be exchanged in the limited circumstances described in (iii) above, Notes may be issued in denominations which represent the aggregate of (i) a minimum denomination of €100,000, plus (ii) integral multiples of €1,000, provided that such denominations are not less than €100,000 nor more than € 199,000. For the avoidance of doubt, each holder of Notes of such denominations will, upon exchange for Definitive Notes, receive Definitive Notes in an amount equal to its entitlement to the principal amount represented by the Permanent Global Notes. However, a Noteholder who holds a principal amount of less than the minimum denomination may not receive a Definitive Note and would need to purchase a principal amount of Notes such that its holding is an integral multiple of the minimum denomination.

Temporary Global Note exchangeable for Definitive Notes

If the relevant Final Terms specify the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note, without Coupons, interests in which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specify the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note, without Coupons, interests in which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 45 days of the bearer requesting such exchange.

Where the Temporary Global Note is to be exchanged for Definitive Notes, Notes may only be issued in denominations which are integral multiples of the minimum denomination and may only be traded in such amounts whether in global or definitive form.

Permanent Global Note exchangeable for Definitive Notes

If the relevant Final Terms specify the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note, without Coupons, interests in which will be exchangeable in whole, but not in part, for Definitive Notes:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specify "in the limited circumstances described in the Permanent Global Note", then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 13 (Events of Default) occurs.

Where interests in the Permanent Global Note are to be exchanged for Definitive Notes in the circumstances described in (i) and (ii) above, Notes may only be issued in denominations which are integral multiples of the minimum denomination and may only be traded in such amounts, whether in global or definitive form. As an exception to the above rule, where the Permanent Global Note may only be exchanged in the limited circumstances described in (iii) above, Notes may be issued in denominations which represent the aggregate of (i) a minimum denomination of €100,000, plus (ii) integral multiples of €1,000, provided that such denominations are not less than €100,000 nor more than €199,000. For the avoidance of doubt, each holder of Notes of such denominations will, upon exchange for Definitive Notes, receive Definitive Notes in an amount equal to its entitlement to the principal amount represented by the Permanent Global Notes. However, a Noteholder who holds a principal amount of less than the minimum denomination may not receive a Definitive Note and would need to purchase a principal amount of Notes such that its holding is an integral multiple of the minimum denomination.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 45 days of the bearer requesting such exchange. Where the Notes are listed on the Luxembourg Stock Exchange and its rules so require, the Issuer will give notice of the exchange of the Permanent Global Note for Definitive Notes pursuant to Condition 19 (Notices).

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "Terms and Conditions of the Notes" below and the provisions of the relevant Final Terms which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

Legend concerning United States persons

In the case of any Tranche of Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

"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."

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

1. Introduction

- (a) *Programme:* Banca delle Marche S.p.A. (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to Euro 3,500,000,000 in aggregate principal amount of notes (the "**Notes**").
- (b) *Final Terms:* Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a final terms (the "**Final Terms**") which completes these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) *Agency Agreement and Deed of Covenant:* The Notes are the subject of an issue and paying agency agreement dated 14 December 2011 (the "**Agency Agreement**") between the Issuer, Citibank N.A., as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). The Notes are also the subject of a deed of covenant dated 14 December 2011 and executed by the Issuer (the "**Deed of Covenant**").
- (d) *The Notes:* All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms. The Final Terms of listed and/or publicly offered Notes will be published on the website of the Luxembourg Stock Exchange. Copies of the relevant Final Terms are available during normal business hours for viewing at the Specified Office of the Fiscal Agent, the initial Specified Office of which is set out below.
- (e) *Summaries:* Certain provisions of these Conditions are summaries of the Agency Agreement and are subject to their detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) and, where applicable, talons for further Coupons ("**Talons**") and holders of instalment receipts ("**Receipts**")

appertaining to the payment of principal by instalments are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. Copies of the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

2. **Definitions and Interpretation**

(a) *Definitions:* In these Conditions the following expressions have the following meanings:

"Accrual Yield" has the meaning given in the relevant Final Terms;

"Additional Business Centre(s)" means the city or cities specified as such in the relevant Final Terms;

"Additional Financial Centre(s)" means the city or cities specified as such in the relevant Final Terms;

"Auditors" means the auditors for the time being of the Issuer or, in the event of their being unable or unwilling promptly to carry out any action requested of them pursuant to the provisions of these Conditions, such other firm of accountants as may be approved by the Issuer;

"Bank of Italy" means the Bank of Italy and/or any competent authority which at a future date carries out the functions which the Bank of Italy performs as at the Issue Date;

"Bank of Italy Regulations" means the regulations of the Bank of Italy relating to the capital adequacy of banks (*Nuove disposizioni di vigilanza prudenziale per le banche*) set out in the Bank of Italy Circular No. 263 dated 27 December 2006) as amended and supplemented;

"Business Day" means a day which is both:

- (i) in relation to any sum payable in Euro, a TARGET2 Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (ii) in relation to any sum payable in a currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments generally in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

"Business Day Convention", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) **"Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** means that the relevant date shall be postponed to the first following day

that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

- (iii) **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) **"FRN Convention", "Floating Rate Convention" or "Eurodollar Convention"** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred *provided, however, that:*
 - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"Calculation Agent" means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

"Calculation Amount" has the meaning given to it in the relevant Final Terms;

"Consolidated Banking Law" means Legislative Decree No. 385 of 1 September 1993, as amended or supplemented from time to time;

"Coupon Sheet" means, in respect of a Note, a coupon sheet relating to the Note;

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

- (i) if **"Actual/Actual (ICMA)"** is so specified, means:
 - (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

- (b) where the Calculation Period is longer than one Regular Period, the sum of:
- (1) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (2) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (ii) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if "**30/360**" is so specified, means the number of days in the Calculation Period in respect of which payment is being made 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

"**Y₁**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M₂**" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"**D₂**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30; and

- (vi) if "**30E/360**" or "**Eurobond Basis**" is so specified, means the number of days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows;

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D2 - D1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30.

- (vii) if "**30E/360 (ISDA)**" is so specified, means the number of days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D2 - D1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation 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 D₂ will be 30;

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"Early Redemption Amount (Regulatory Call)" means, in respect of Subordinated Notes, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"Early Redemption Amount (Tax)" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"Early Termination Amount" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

"Excluded Indebtedness" means any Indebtedness where neither the person(s) to whom such Indebtedness is or may be owed nor any agent or trustee therefor has any recourse whatsoever to the Issuer or any of its Material Subsidiaries for the repayment thereof or any payment in respect thereof other than:

- (i) recourse to the assets the subject of the Security therefor and/or income or other amounts derived therefrom; and/or
- (ii) recourse for the purpose only of enabling amounts to be claimed in respect of such Indebtedness in an enforcement of the relevant Security, amounts derived therefrom and other assets subject to the relevant Security, provided that (x) the extent of such recourse is limited solely to the amount of any recoveries made on any such enforcement, and (y) such person(s) is/are not entitled, by virtue of any right or claim arising out of or in connection with such Indebtedness, to commence proceedings for the winding-up, liquidation or dissolution of the Issuer or, as the case may be, such Material Subsidiary or to appoint or procure the appointment of any receiver, administrative receiver, manager or other similar person or officer in respect of the Issuer or, as the case may be, such Material Subsidiary or any of its assets (save for the assets the subject of such Security); and/or
- (iii) recourse generally under any form of assurance, undertaking or support, which recourse is limited to a claim for damages or breach of an obligation (not being a payment obligation or an obligation to procure payment by another or an indemnity in respect thereof) by the person against whom such recourse is available;

"Extraordinary Resolution" has the meaning given in the Agency Agreement;

"Final Redemption Amount" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"First Interest Payment Date" means the date specified in the relevant Final Terms;

"Fixed Coupon Amount" has the meaning given in the relevant Final Terms;

"Government Entity" means any body, agency, ministry, department, authority, or other national entity of the government of the Republic of Italy (excluding, for the avoidance of doubt, any entity pertaining to any region, province or municipality of the Republic of Italy);

"Indebtedness" means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

"Index" has the meaning given to it in the relevant Final Terms;

"Instalment Amount" has the meaning given in the relevant Final Terms;

"Instalment Notes" means Notes, any part of the principal amount of which is repayable by an Instalment Amount, as specified in the relevant Final Terms;

"Interest Amount" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"Interest Commencement Date" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

"Interest Determination Date" has the meaning given in the relevant Final Terms;

"Interest Payment Date" means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"Interest Period" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"ISDA Definitions" means the 2000 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.) or, if so specified in the relevant Final Terms, the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

"Issue Date" has the meaning given in the relevant Final Terms;

"Issue Price" has the meaning given in the relevant Final Terms;

"Liquidazione Coatta Amministrativa" means *liquidazione coatta amministrativa* as described in Articles 80 to 94 of the Consolidated Banking Law;

"Lower Tier II Subordinated Notes" means *passività subordinate di 2° livello*, as defined in Title I, Chapter 2, Section II, paragraph 4.2 of the Bank of Italy Regulations (being those Notes which are specified in the relevant Final Terms as being Lower Tier II Subordinated Notes);

"Margin" has the meaning given in the relevant Final Terms;

"Material Subsidiary" means any Subsidiary of the Issuer:

- (i) (x) whose accounts are consolidated into the group accounts of the Issuer and (y) whose gross revenues (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent not less than 20 per cent. of the consolidated gross revenues, or, as the case may be, the consolidated total assets, of the Issuer and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest accounts (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited consolidated accounts of the Issuer and its Subsidiaries; provided that in the case of a Subsidiary acquired after the end of the financial period to which the then latest relevant audited consolidated financial statements of the Issuer and its Subsidiaries relate, the reference to the then latest audited consolidated financial statements of the Issuer and its Subsidiaries for the purposes of calculation above shall, until consolidated financial statements for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned financial statements as if such Subsidiary had been shown in such financial statements by reference to its then latest relevant audited financial statements, adjusted as deemed appropriate by the Auditors after consultation with the Issuer; or
- (ii) to which is transferred all or substantially all of the business, undertaking and assets of a Subsidiary of the Issuer which immediately prior to such transfer is a Material Subsidiary, whereupon the transferor Subsidiary shall immediately cease to be a Material Subsidiary and the transferee Subsidiary shall immediately become a Material Subsidiary, provided that on or after the date on which the next audited financial statements are published, whether such transferor Subsidiary or such

transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of the preceding sub-paragraph (a) above;

"Maturity Date" has the meaning given in the relevant Final Terms;

"Maturity Period" means the period from and including the Issue Date to but excluding the Maturity Date;

"Maximum Redemption Amount" has the meaning given in the relevant Final Terms;

"Member State" means a Member State of the European Communities which adopts the Euro as its lawful currency in accordance with the Treaty;

"Minimum Capital" means the minimum amount of capital of the Issuer, as provided for by the Bank of Italy from time to time for the purposes of obtaining or maintaining the authorisation of the Bank of Italy to carry on banking activities;

"Minimum Redemption Amount" has the meaning given in the relevant Final Terms;

"Optional Redemption Amount (Call)" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"Optional Redemption Amount (Put)" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"Optional Redemption Date (Call)" has the meaning given in the relevant Final Terms;

"Optional Redemption Date (Put)" has the meaning given in the relevant Final Terms;

"Payment Business Day" means:

- (i) if the currency of payment is Euro, any day which is:
 - (A) a day on which banks in the relevant place of presentation (if presentation is required) are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (B) in the case of payment by transfer to an account, a TARGET2 Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not Euro, any day which is:
 - (A) a day on which banks in the relevant place of presentation (if presentation is required) are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

- (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"Principal Financial Centre" means, in relation to any currency, the principal financial centre for that currency *provided, however, that:*

- (i) in relation to Euro, it means the principal financial centre of such Member State as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (ii) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

"Put Option Notice" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"Put Option Receipt" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"Rate of Exchange" has the meaning given in the relevant Final Terms;

"Rate of Interest" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

"Redemption Amount" means, as appropriate, the Final Redemption Amount, the Instalment Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

"Reference Banks" has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

"Reference Price" has the meaning given in the relevant Final Terms;

"Reference Rate" has the meaning given in the relevant Final Terms;

"Regular Period" means:

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

"**Relevant Date**" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"**Relevant Financial Centre**" has the meaning given in the relevant Final Terms;

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" has the meaning given in the relevant Final Terms;

"**Reserved Matter**" shall have the meaning given to it in the Agency Agreement and includes, *inter alia*, any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes, to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution or to amend this definition;

"**Security**" means any mortgage, charge, pledge, lien or other form of encumbrance or security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Senior Note**" means a Note specified in the relevant Final Terms as being unsubordinated or not specified as being subordinated;

"Specified Currency" has the meaning given in the relevant Final Terms;

"Specified Denomination(s)" has the meaning given in the relevant Final Terms;

"Specified Office" has the meaning given in the Agency Agreement;

"Specified Period" has the meaning given in the relevant Final Terms;

"Subordinated Notes" means any Notes specified as Upper Tier II Subordinated Notes, Lower Tier II Subordinated Notes or Tier III Subordinated Notes in the relevant Final Terms;

"Subsidiary" means, in relation to any Person (the **"first Person"**) at any particular time, any other Person (the **"second Person"**):

- (i) whose majority of votes in ordinary shareholders' meetings of the second Person is held by the first Person; or
- (ii) in which the first Person holds a sufficient number of votes giving the first Person a dominant influence in ordinary shareholders' meetings of the second Person; or
- (iii) which is under the dominant influence of the first Person pursuant to Article 23, second paragraph, of the Consolidated Banking Law;

"TARGET2" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"TARGET Settlement Day" means any day on which TARGET2 is open for the settlement of payments in Euro;

"Tier III Subordinated Notes" means *passività subordinate di 3° livello*, as defined in Title I, Chapter 2, Section II, paragraph 1.5 of the Bank of Italy Regulations (being those Notes which are specified in the relevant Final Terms as being Tier III Subordinated Notes);

"Treaty" means the Treaty establishing the European Communities, as amended;

"Upper Tier II Subordinated Notes" means *strumenti ibridi di patrimonializzazione* as defined in Title I, Chapter 2, Section II, paragraph 4.1 of the Bank of Italy Regulations (being those Notes which are specified in the relevant Final Terms as being Upper Tier II Subordinated Notes); and

"Zero Coupon Note" means a Note specified as such in the relevant Final Terms.

(b) *Interpretation:* In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

- (iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (Taxation), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being "outstanding" shall be construed in accordance with the Agency Agreement;
- (vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and
- (viii) any reference to the Agency Agreement shall be construed as a reference to the Agency Agreement as amended and/or supplemented up to and including the Issue Date of the Notes.

3. **Form, Denomination, Title and Transfer**

The Notes are in bearer form in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Notes with more than one Specified Denomination, Notes of one Specified Denomination will not be exchangeable for Notes of another Specified Denomination. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No Person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

4. **Status of Senior Notes**

- (a) *Application:* This Condition 4 (*Status of Senior Notes*) is applicable only to Senior Notes.
- (b) *Status:* The Notes and any related Receipts and Coupons constitute direct, general, unconditional and unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, (save for mandatory exceptions provided by law).

5. **Status and Special Provisions of Subordinated Notes**

- (a) *Application:* This Condition 5 (Status and Special Provision of Subordinated Notes) is applicable only to Subordinated Notes.
- (b) *Status of Subordinated Notes:* Subordinated Notes and any related Receipts or Coupons constitute direct, unsecured and subordinated obligations of the Issuer and, subject to the provisions of this Condition 5, will at all times rank *pari passu* without any preference among themselves. In relation to each Series of Subordinated Notes, all Subordinated Notes of such Series will be treated equally and all amounts paid by the Issuer in respect of principal and interest thereon will be paid pro rata on all Subordinated Notes of such Series.
- (c) *Winding up, etc.:* In the event of the winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa* of the Issuer), the payment obligations of the Issuer under each Series of Subordinated Notes, and the relative Receipts or Coupons as the case may be, will rank in right of payment (A) after unsubordinated unsecured creditors (including depositors and any holder of Senior Notes and their respective Receipts or Coupons) of the Issuer but (B) 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 Subordinated Notes and (C) in priority to the claims of shareholders of the Issuer. Payment obligations of the Issuer under each Series of Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes and Tier III Subordinated Notes will rank *pari passu* amongst themselves.
- (d) *Waiver:* Each holder of a Subordinated Note is deemed unconditionally and irrevocably to have waived 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.

(e) *Loss absorption in respect of Upper Tier II Subordinated Notes:* To the extent that the Issuer at any time suffers losses which, in accordance with Articles 2446 and 2447 of the Italian Civil Code or otherwise in accordance with Italian laws and regulations, would require the Issuer to reduce its paid up share capital and reserves to below the Minimum Capital, 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 under Italian law and regulatory provisions, 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 reinstated whether or not the Maturity Date of the relevant obligation has occurred:

- (i) in whole, in the event of bankruptcy, dissolution, liquidation or winding-up of the Issuer (including, *inter alia*, *Liquidazione Coatta Amministrativa*, *amministrazione straordinaria* or *liquidazione volontaria* or any other similar liquidation, bankruptcy or winding-up proceedings otherwise in accordance with any applicable Italian laws and regulations) and, with effect immediately prior to the commencement of such bankruptcy, dissolution, liquidation or winding up as if such obligations of the Issuer had not been so reduced in accordance with this Condition 5(e); and
- (ii) in whole or in part, from time to time, to the extent that the Issuer, by reason of its having made profits or by reason of its obtaining new capital contributions or by reason of the occurrence of any other event would not be required to reduce its obligations in respect of interest and principal in accordance with this Condition 5(e).

The Issuer shall forthwith give notice of any such reduction and/or reinstatement to the Noteholders in accordance with Condition 19 (Notices).

(f) *Deferral of interest on Upper Tier II Subordinated Notes:* The Issuer will not be required to pay interest on Upper Tier II Subordinated Notes on an Interest Payment Date if (i) no annual dividend has been approved, paid or set aside for payment by a shareholders' meeting of the Issuer during the 12-month period ending on the date 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 months immediately preceding such Interest Payment Date that, based on such accounts, no sums are available at such time in accordance with Italian law for the payment of interim dividends; or (iii) two Directors of the Issuer certify that the Issuer has incurred non-consolidated losses during the period since the end of the Issuer's annual or, as the case may be, semi annual financial period immediately preceding such Interest Payment Date and that payment of interest on such Interest Payment Date would disqualify the Upper Tier II Subordinated Notes from being taken into account for capital adequacy purposes.

Any such unpaid amounts of interest will constitute arrears of interest which 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 the shares of the Issuer; (B) the date for repayment of the Upper Tier II Subordinated Notes; and (C) the date on which the *Liquidazione*

Coatta Amministrativa of the Issuer is commenced pursuant to Article 83 of the Consolidated Banking Law or on which the Issuer becomes subject to a liquidation order.

In addition, if interest is not paid on any Interest Payment Date by virtue only of the provisions of Condition 5(f)(iii) and the non-consolidated annual or, as the case may be, semi annual financial statements of the Issuer for the period in which such Interest Payment Date falls which are next published after such Interest Payment Date show a non-consolidated net profit before tax in respect of the period to which such financial statements relate, then arrears of interest in respect of such Interest Payment Date shall become due and payable on the publication of such financial statements, and the Issuer shall give notice thereof to Noteholders.

(g) *Notice of interest deferral:* The Issuer shall give not more than 25 nor less than 15 days prior notice to the Paying Agents and to the Noteholders in accordance with Condition 19 (Notices):

- (i) of any Interest Payment Date on which, pursuant to the provisions of Condition 5(f) (Deferral of interest on Upper Tier II Subordinated Notes) above, interest will not be paid;
- (ii) of any date upon which amounts in respect of arrears of interest shall become due and payable;
- (iii) of (1) the amount of principal and of sums which would otherwise have been payable as interest in respect of the Notes and which, having been applied to meet the losses of the Issuer pursuant to Condition 5(e) (Loss Absorption in respect of Upper Tier II Subordinated Notes), are to be reinstated as provided herein, (2) the date of such reinstatement and the date on which the relevant amount shall become due and payable in accordance with these Conditions and (3) details of the event giving rise to such reinstatement.

The information contained in any notice given in accordance with this Condition 5(g) will be available at the specified office of the Fiscal Agent from the date of the relevant notice.

- (iv) *Provisions relating to Tier III Subordinated Notes:* Tier III Subordinated Notes shall be subject to the same restrictions provided for in respect of similar indebtedness qualifying as Upper Tier II Subordinated Notes or Lower Tier II Subordinated Notes except that Tier III Subordinated Notes shall be subject to (i) a minimum maturity period of two years from the Issue Date and (ii) a lock-in clause pursuant to which payments of interest and repayments of principal shall be suspended during the period (the "**Suspension Period**") in which such payments or repayments would reduce the value of the Issuer's assets below the aggregate minimum capital requirement (*requisito patrimoniale complessivo*) of the Issuer, as provided under Title II, Chapter 6 of the Bank of Italy's Regulations and, for the avoidance of doubt, interest shall not accrue on any repayments of principal or payments of interest suspended during the Suspension Period.

6. Fixed Rate Note Provisions

- (a) *Application:* This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of Euro, means one cent. Where the Specified Denomination of a Fixed Rate Note comprises more than one Calculation Amount, the Interest Amount 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.

7. **Floating Rate Note and Index-Linked Interest Note Provisions**

- (a) *Application:* This Condition 7 (*Floating Rate Note and Index-Linked Interest Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Screen Rate Determination*: If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
- (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

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

(d) *ISDA Determination*: If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an

interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
 - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
 - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.
- (e) *Index-Linked Interest:* If the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Final Terms.
- (f) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (g) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of Euro, means one cent. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note comprises more than one Calculation Amount, the Interest Amount payable in respect of such 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.
- (h) *Calculation of other amounts:* If the relevant Final Terms specify that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.
- (i) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any)

by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

- (j) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8. Zero Coupon Note Provisions

- (a) *Application:* This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9. Dual Currency Note Provisions

- (c) *Application:* This Condition 9 (*Dual Currency Note Provisions*) is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Final Terms as being applicable.
- (d) *Rate of Interest:* If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.

10. Redemption and Purchase

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 10(e) (*Redemption of Subordinated Notes*) and Condition 11 (*Payments*).
- (b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer (but subject, in the case of Subordinated Notes, to the prior approval of the Bank of Italy) in whole, but not in part:
 - (i) at any time (if neither the Floating Rate Note Provisions nor the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable); or
 - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

- (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (Taxation) as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and
- (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

- (1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or
- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by a legal representative 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 (B) 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. Upon the

expiry of any such notice as is referred to in this Condition 10(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(b).

(c) *Redemption for regulatory reasons (Regulatory Call):*

This Condition 10 (c) applies only to Notes specified in the applicable Final Terms as being Subordinated Notes.

If Regulatory Call is specified in the applicable Final Terms, the Notes may be redeemed at the option of the Issuer (subject to the prior approval of the Bank of Italy) in whole, but not in part at any time (if the Note is not a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note) or on any Interest Payment Date (if the Note is a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 15 nor more than 30 days' notice to the Fiscal Agent and, in accordance with Condition 19, the Noteholders (which notice shall be irrevocable), if a proportion equal to or more than the Minimum Disqualification Amount of the Subordinated Notes ceases to qualify as "Lower Tier II capital", "Upper Tier II capital" or "Tier III capital", as applicable, as a result of changes after the date of issue of the relevant Subordinated Notes in the standards and guidelines of the Bank of Italy.

In this condition 10 (c), the "**Minimum Disqualification Amount**" means 10 per cent. of the aggregate outstanding nominal amount of the relevant Subordinated Notes.

Prior to the publication of any notice of redemption pursuant to this Condition 10(c), the relevant Issuer shall deliver or procure that there is delivered to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer stating that the said circumstances prevail and describe the facts leading thereto and the Fiscal Agent shall be entitled to accept such 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.

Upon the expiry of any such notice as is referred to in this Condition 10(c), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(c). Notes redeemed pursuant to this Condition 10(c) will be redeemed at their Early Redemption Amount (Regulatory Call) together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(d) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may (subject, in the case of Subordinated Notes, to the prior approval of the Bank of Italy) be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date). In the case of Lower Tier II Subordinated Notes, early redemption may only occur at the option of the Issuer and with the prior approval of the Bank of Italy.

- (e) *Partial redemption*: If the Notes are to be redeemed in part only on any date in accordance with Condition 10(d) (*Redemption at the option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 10(d) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) *Redemption of Subordinated Notes*: Upper Tier II Subordinated Notes may be perpetual (*passività irredimibili*) or with a fixed maturity period of ten years or longer (*altri strumenti rimborsabili*). Lower Tier II Subordinated Notes shall have a minimum Maturity Period of five years and Tier III Subordinated Notes shall have a minimum Maturity Period of two years, in each case unless as otherwise permitted by the then current Bank of Italy Regulations.

Notwithstanding the foregoing provisions of this Condition 10, the redemption of the Upper Tier II Subordinated Notes and/or early redemption of the Subordinated Notes shall always be subject to the prior approval of the Bank of Italy, such approval in respect of redemption and/or early redemption of Upper Tier II Subordinated Notes being dependent on the Issuer maintaining its minimum capital requirement (*requisito patrimoniale complessivo*) as prescribed in Title II, Chapter 6 of the Bank of Italy Regulations immediately following redemption of the Upper Tier II Subordinated Notes. If such approval is not given on or prior to the redemption date, the Issuer will re-apply to the Bank of Italy for its consent to such redemption forthwith upon its having again, by whatever means, such required minimum capital. The Issuer will use its reasonable endeavours to maintain such required minimum capital and to obtain such approval.

Where Lower Tier II Subordinated Notes or Tier III Subordinated Notes have an indefinite Maturity Period but are subject to redemption at the option of the Issuer, such Notes may only be redeemed by the giving of notice from the Issuer to Noteholders as follows: (i) five years' notice, in the case of Lower Tier II Subordinated Notes; and (ii) two years' notice, in the case of Tier III Subordinated Notes.

Amounts that would otherwise be payable on the due date will continue to bear interest until whichever is the earlier of (i) the day on which all sums due in respect of such Subordinated Notes up to that day are received by or on behalf of the Noteholders and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of such Subordinated Notes up to such seventh day.

- (g) *Redemption at the option of Noteholders*:
- (i) *Application*: This Condition 10(g) (*Redemption at the option of Noteholders*) is applicable only to Senior Notes and if the Put Option is specified in the relevant Final Terms as being applicable.

- (ii) *Put Options*: The Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10(g), the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(g), may be withdrawn; *provided, however, that* if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10(g), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.
- (h) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (g) above.
- (i) *Early redemption of Zero Coupon Notes*: Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the relevant Final Terms for the purposes of this Condition 10(i) or, if none is so specified, a Day Count Fraction of 30E/360.

- (j) *Purchase*: The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, provided that:
 - (i) all unmatured Coupons are purchased therewith; and
 - (ii) Subordinated Notes may only be purchased by the Issuer or any of its Subsidiaries subject to the prior approval of the Bank of Italy, unless the Notes to be purchased (A) do not exceed 10 per cent. of the aggregate nominal amount of the relevant Series and

(B) are not to be purchased in order to be surrendered to any Paying Agent for cancellation.

Such Notes may be held, re-issued or resold or, at the option of the Issuer, surrendered to the Fiscal Agent for cancellation.

- (k) *Cancellation:* All Notes which are so redeemed or purchased and subsequently surrendered for cancellation by the Issuer or any of its Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

11. **Payments**

- (a) *Principal:* Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is Euro, any other account to which Euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London).
- (b) *Interest:* Payments of interest shall, subject to Condition 11(h) (*Payments other than in respect of matured coupons*) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 11(a) (Principal) above.
- (c) *Payments in New York City:* Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (Taxation). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) *Deductions for unmatured Coupons:* If the relevant Final Terms specify that the Fixed Rate Note Provisions are applicable and a Note is presented without all unmatured Coupons relating thereto:
 - (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; *provided, however, that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided, however, that*, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.

- (f) *Unmatured Coupons void*: If the relevant Final Terms specify that this Condition 11(f) is applicable or that the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 10(b) (*Redemption for tax reasons*), Condition 10(f) (*Redemption at the option of Noteholders*), Condition 10(c) (*Redemption at the option of the Issuer*) or Condition 13 (Events of Default), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) *Payments on business days*: If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day, the holder shall not be entitled to payment of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (h) *Payments other than in respect of matured Coupons*: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by Condition 11(c) (*Payments in New York City*) above).
- (i) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (j) *Exchange of Talons*: On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further

Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 14 (*Prescription*)). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

12. **Taxation**

- (a) *Gross up*: All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without 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 the Republic of Italy or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note, Receipt or Coupon presented for payment:
- (i) in the Republic of Italy; or
 - (ii) by or on behalf of a holder of any Note, Receipt or Coupon who:
 - (A) is entitled to avoid such deduction or withholding by making a declaration of non-residence or residence or other similar claim for exemption; or
 - (B) is liable to such taxes or duties by reason of his having some connection with the Republic of Italy, other than the mere holding of the Note, Receipt or Coupon; or
 - (C) would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt and/or Coupon to another Paying Agent in a Member State of the EU; or
 - (iii) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amount on presenting the same for payment on such thirtieth day; or
 - (iv) where such withholding or deduction is imposed on a payment to an individual resident outside the Republic of Italy and is required to be made pursuant to (i) European Council Directive 2003/48/EC of 3 June 2003 or any other European Union Directive or Regulation on the taxation of savings income in the form of interest payments implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or (ii) any agreements entered into by the European Community in connection with such Directive or Regulation and relating to the taxation of savings income, or (iii) any law implementing or complying with, or introduced in order to conform to, such Directive or Regulation and relating to the taxation of savings income; or

- (v) in relation to any payment or deduction of any interest, premium or proceeds of any Note, Receipt or Coupon on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1 April 1996, as amended and supplemented ("**Decree 239**"), and in general in all circumstances in which the requirements and procedures set forth in Decree 239 have not been met or complied with; or
 - (vi) in respect of any Note where such withholding or deduction is required pursuant to Italian Law Decree No. 512 of 30 September 1983, converted into Law No. 649 of 25 November 1983 (as amended); or
 - (vii) in respect of any Note where such withholding or deduction is required pursuant to Italian Presidential Decree No. 600 of 29 September 1973 (as amended).
- (b) *Taxing jurisdiction*: If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, references in these Conditions to the Republic of Italy shall be construed as references to the Republic of Italy and/or such other jurisdiction.

13. **Events of Default**

- (a) *Events of Default of Senior Notes*: This Condition 13(a) is applicable only to Notes specified in the relevant Final Terms as Senior Notes. If any of the following events occurs and is continuing:
- (i) *Non-payment*: the Issuer fails to pay the principal or any interest on any of the Notes when due and such failure continues for a period of five days, in the case of principal, or seven days, in the case of interest; or
 - (ii) *Breach of other obligations*: the Issuer does not perform or comply with any one or more of its other obligations in the Notes which default remains unremedied for 30 days after written notice requiring such default to be remedied has been given to the Issuer by any Noteholder; or
 - (iii) *Cross-default of Issuer or Subsidiary*:
 - (A) any other present or future Indebtedness (other than Excluded Indebtedness) of the Issuer or any of its Material Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of default, event of default or similar event and, if required by the terms of such Indebtedness or by applicable law, demand is made therefor; or
 - (B) any such Indebtedness (other than Excluded Indebtedness) is not paid when due or, as the case may be, within any applicable grace period and, if required by the terms of such Indebtedness or by applicable law, demand is made therefor; or
 - (C) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised (other than where the Issuer or such Material Subsidiary (x) fails to pay any guarantee for, or indemnity in respect of, Excluded Indebtedness, or (y) is prevented from the payment of the relevant guarantee or indemnity by an order of judicial authority or (z) is contesting in

good faith its liability in respect of the relevant guarantee or indemnity) provided that the aggregate amount of the relevant Indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(a)(iii) have occurred equals or exceeds €20,000,000 (or its equivalent); or

- (iv) *Enforcement proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or any material part of the property, undertaking, assets or revenues of the Issuer or any of its Material Subsidiaries where such distress, attachment, execution or other legal process is levied, enforced or sued out by a person to whom such liabilities are owed and is not discharged or stayed within 30 days; or
- (v) *Security enforced*: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Material Subsidiaries becomes enforceable over any material part of the property, undertaking, assets or revenues of the Issuer or such Material Subsidiary and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person); or
- (vi) *Insolvency*: the Issuer or any of its Material Subsidiaries is (or is, or could be, adjudicated by a court of competent jurisdiction to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all, or all of a particular type of, its debts (other than in respect of any obligation under a guarantee or indemnity where the Issuer or such Material Subsidiary is prevented from the payment thereof by an order of a judicial authority or is contesting in good faith its liability in respect thereof), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a particular type of the debts of the Issuer or any of its Material Subsidiaries; or
- (vii) *Winding up, etc.* an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Material Subsidiaries, or the Issuer or any of its Material Subsidiaries shall apply or petition for a winding-up or administration order in respect of itself or ceases, or through an official action of its board of directors threatens to cease, to carry on all or a substantial part of its business or operations, in each case except for the purpose of and followed by or in connection with a reconstruction, amalgamation, reorganisation, merger, consolidation or demerger (A) on terms approved by an Extraordinary Resolution of the holders of the Senior Notes, or (B) where the entity resulting from such reconstruction, amalgamation, reorganisation, merger, consolidation or demerger assumes all the rights and obligations of the Issuer (including its obligations under the Notes) or of such Material Subsidiary, as the case may be, or, (C) in the case of a Material Subsidiary, whereby the undertaking and assets of such Material Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries; or
- (viii) *Analogous event*: any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs,

then any Note may, by notice in writing given to the Fiscal Agent and to the Issuer at its registered office by the holder, be declared immediately due and payable whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further formality unless such event of default shall have been remedied prior to the receipt of such notice by the Fiscal Agent and the Issuer.

(b) *Events of Default of Subordinated Notes*: This Condition 13(b) is applicable only to Notes specified in the relevant Final Terms as Subordinated Notes. If any of the following events occurs:

- (i) *Winding-up etc*: if the Issuer is wound-up or dissolved (otherwise than for purposes of any amalgamation, merger or reconstruction on terms previously approved by an Extraordinary Resolution of Noteholders); or
- (ii) *Analogous event*: any event occurs which under the laws of the Republic of Italy has an analogous effect to any of the events referred to in paragraph (i) (Winding up, etc.) above,

then the Notes are, and they shall immediately become due and repayable at their Redemption Amount together with, if appropriate, accrued interest thereon, and the Noteholders shall be entitled to prove in such winding-up or dissolution in respect of such amounts and no other remedy shall be available to the Noteholders for the recovery of amounts owing in respect of the Notes.

14. **Prescription**

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

15. **Replacement of Notes and Coupons**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

16. **Agents**

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor fiscal agent or Calculation Agent and additional or successor paying agents; *provided, however, that:*

- (a) the Issuer shall at all times maintain a Fiscal Agent;
- (b) the Issuer shall at all times maintain a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to (i) European Council Directive 2003/48/EC of 3 June 2003 or any other European Union Directive or Regulation on the taxation of savings income in the form of interest payments implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or (ii) any agreements entered into by the European Community in connection with such Directive or Regulation and relating to the taxation of savings income, or (iii) any law implementing or complying with, or introduced in order to conform to, such Directive or Regulation and relating to the taxation of savings income;
- (c) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent;
- (d) the Issuer shall at all times maintain a Paying Agent outside the Republic of Italy; and
- (e) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

17. Meetings of Noteholders; Modification and Waiver

- (a) *Meetings of Noteholders:* The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, one or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any

such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification:* The Notes, these Conditions and the Deed of Covenant may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

18. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the Issue Price, the Issue Date and/or the first payment of interest) so as to form a single series with the Notes.

19. **Notices**

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) and, if the Notes are admitted to trading on the Regulated Market of the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in either case, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

20. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose

to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

21. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

22. **Governing Law and Jurisdiction**

- (a) *Governing law:* The Notes and all matters arising from or connected with the Notes are governed by, and shall be construed in accordance with, English law, except for Conditions 5 (*Status and Special Provisions of Subordinated Notes*), 10(f) (*Redemption of Subordinated Notes*) and 13(b) (*Events of Default of Subordinated Notes*) which are governed by and shall be construed in accordance with Italian law.
- (b) *English courts:* The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising from or connected with the Notes.
- (c) *Appropriate forum:* The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) *Rights of the Noteholders to take proceedings outside England:* Condition 22(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 22 (*Governing Law and Jurisdiction*) prevents any Noteholder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.
- (e) *Process agent:* The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to TMF Corporate Services Limited, 6 St Andrew Street, 5th Floor London EC4A 3AE or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Part XXIII of the Companies Act 1985. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed and delivered to the Issuer or to the Specified Office of the Fiscal Agent

appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

23. **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that the Notes expressly provide for such Act to apply to any of their terms.

FORM OF FINAL TERMS

The Final Terms in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

Final Terms dated [date]

BANCA DELLE MARCHE S.p.A.

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

under the Euro 3,500,000,000

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 (the "**Conditions**") set forth in the Base Prospectus dated 14 December 2011 [and the Base Prospectus supplement dated [date]] which [together] constitute[s] a base prospectus (the "**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. These Final Terms contain the final terms of the Notes and must be read in conjunction with such Base Prospectus [as so supplemented].

Full information on the Issuer and the offer of the Notes described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the Base Prospectus supplement] [is] [are] available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]].

The following alternative language applies if the first tranche of an issue which is being increased was issued under a base prospectus 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 base prospectus dated 14 December 2011. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Base Prospectus dated 14 December 2011 [and the Base Prospectus supplement dated [date]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"), save in respect of the Conditions which are extracted from the base prospectus dated [original date] and are attached hereto. This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive.

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 Prospectuses dated [*] and 14 December 2011 [and the Base Prospectus supplements dated [date] and [date]]. The Base Prospectuses [and the Base Prospectus

supplements] are available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]].

[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 sub-paragraphs. Italics denote guidance for completing the Final Terms.]

[When completing any final terms, or 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 Prospectus under Article 16 of the Prospectus Directive].

1. (i) Issuer: Banca delle Marche S.p.A.

2. [(i) Series Number:] []

[(ii) 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: []

[(i)] [Series]: []

[(ii) Tranche: []]

5. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] *(in the case of fungible issues only, if applicable)*]

6. (i) Specified []
Denominations:
[] [and integral multiples of [] in excess thereof up to and including []]. No Notes in definitive form will be issued with a denomination above [].]

(Notes including Notes denominated in Sterling, in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Financial Services and Markets Act 2000 and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in

other currencies).)

- (ii) Calculation Amount: []
- (If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. There must be a common factor in the case of two or more Specified Denominations.)*
7. (i) Issue Date: []
- (ii) Interest Commencement Date: [Specify/Issue Date/Not Applicable]
8. Maturity Date: [Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]
- (Unless otherwise permitted by current laws, regulations, directives and/or Bank of Italy requirements applicable to the issue of Subordinated Notes by the Issuer, (i) Lower Tier II Subordinated Notes must have a minimum maturity of 5 years, (ii) Upper Tier II Subordinated Notes must have a minimum maturity of 10 years and (iii) Tier III Subordinated Notes must have a minimum maturity of 2 years.)*
9. Interest Basis: [● per cent. Fixed Rate]
[[Specify reference rate] +/- ● per cent. per annum Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[Other (Specify)]
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Dual Currency]
[Partly Paid]
[Instalment]
[Other (Specify)]
11. Change of Interest or Redemption/Payment Basis: [Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis]

12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
13. [(i)] Status of the Notes: [Senior Notes/[Dated/Perpetual]/Upper Tier II Subordinated Notes/Lower Tier II Subordinated Notes/Tier III Subordinated Notes]
- [(ii)] [Date Board approval for issuance of Notes obtained:] []
(N.B. Only relevant where Board authorisation is required for a particular tranche of 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 sub-paragraphs of this paragraph)
- (i) Rate(s) of Interest: [] per cent. per annum [payable [annually/semi annually/quarterly/monthly/other (specify)] in arrear]
- (ii) Interest Payment Date(s): [] in each year up to and including the Maturity Date
- (iii) Fixed Coupon Amount[(s)]: [] per Calculation Amount
- (iv) Broken Amount(s): [] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []
- (v) Day Count Fraction: [Actual/Actual (ICMA)]/[Actual/365]/[Actual/Actual (ISDA)]/[Actual/365 (Fixed)]/[Actual/360]/[30/360]/[30/360]/[Eurobond basis][If none of these options apply, give details]
- (vi) Determination Dates: [] 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. Only relevant where Day Count Fraction is Actual/Actual(ICMA))
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
16. **Floating Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-

paragraphs of this paragraph)

(i) Interest Period(s): []

(ii) Specified Period: []

(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")

(iii) Specified Interest Payment Dates: []

(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")

(iv) First Interest Payment Date: []

(v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (give details)]

(vi) Additional Business Centre(s): [Not Applicable/give details]

(vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (give details)]

(viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Fiscal Agent]): [[Name] shall be the Calculation Agent (no need to specify if the Fiscal Agent is to perform this function)]

(ix) Screen Rate Determination:

- Reference Rate: [For example, LIBOR or EURIBOR]
- Interest Determination Date(s): []
- Relevant Screen Page: [For example, Reuters LIBOR 01/ EURIBOR 01]

- Relevant Time: [For example, 11.00 a.m. London time/Brussels time]
 - Relevant Financial Centre: [For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the Euro)]
- (x) ISDA Determination:
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (xi) Margin(s): [+/-] [] per cent. per annum
- (xii) Minimum Rate of Interest: [] per cent. per annum
- (xiii) Maximum Rate of Interest: [] per cent. per annum
- (xiv) Day Count Fraction: []
- (xv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
17. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) [Amortisation/Accrual] Yield: [] per cent. per annum
- (ii) Reference Price: []
- (iii) Any other formula/basis of determining amount payable: [Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition [10(i)]]
18. **Index-Linked Interest Note/other variable-linked interest Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Index/Formula/other [give or annex details]

variable:

(ii) Calculation Agent []
responsible for calculating the
interest due:

(iii) Provisions for []
determining Coupon where
calculated by reference to Index
and/or Formula and/or other
variable:

(vi) Interest Determination []
Date(s):

(v) Provisions for []
determining Coupon where
calculation by reference to Index
and/or Formula and/or other
variable is impossible or
impracticable or otherwise
disrupted:

(vi) Interest or calculation []
period(s):

(vii) Specified Period: []

(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")

(viii) Specified Interest []
Payment Dates:

(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")

(ix) Business Day [Floating Rate Convention/ Following Business Day
Convention: Convention/Modified Following Business Day
Convention/Preceding Business Day Convention/other
(give details)]

(x) Additional Business []
Centre(s):

(xi) Minimum Rate/Amount [] per cent. per annum
of Interest:

(xii) Maximum Rate/Amount [] per cent. per annum
of Interest:

(xiii) Day Count Fraction: []

19. **Dual Currency Note Provisions** [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Rate of [give details]
Exchange/method of calculating
Rate of Exchange:

(ii) Calculation Agent, if []
any, responsible for calculating
the principal and/or interest due:

(iii) Provisions applicable []
where calculation by reference to
Rate of Exchange impossible or
impracticable:

(iv) Person at whose option []
Specified Currency(ies) is/are
payable:

PROVISIONS RELATING TO REDEMPTION

20. **Call Option** [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Optional Redemption []
Date(s) (Call):

(If the Notes are Subordinated Notes, unless otherwise permitted by current laws, regulations, directives and/or Bank of Italy 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 Lower Tier II Subordinated Notes, 5 years after the Issue Date, (ii) in the case of Upper Tier II Subordinated Notes, 10 years after the Issue Date and (iii) in the case of Tier III Subordinated Notes, 2 years after the Issue Date.)

(ii) Optional Redemption [] per Calculation Amount
Amount(s) (Call) of each Note
and method, if any, of calculation
of such amount(s):

(iii) If redeemable in part:

(a) Minimum Redemption [] per Calculation Amount
Amount:

(b) Maximum Redemption [] per Calculation Amount
Amount

(iv) Notice period: []

21. **Regulatory Call** [Applicable/Not Applicable]

*(if not applicable, delete the remaining sub-paragraphs
of this paragraph)*

(N.B. Only relevant in the case of Subordinated Notes)

(a) Early Redemption Amount [[] per Calculation Amount/specify
payable on redemption for
regulatory reasons in the case of
Subordinated Notes only and
subject to the prior approval of
the Bank of Italy as contemplated
by Condition 10(c) and/or the
method of calculating the same
(if required or if different from
that set out in Condition 10
(Redemption and Purchase):

22. **Put Option** [Applicable/Not Applicable]

*(Applicable only to Senior Notes - if not applicable,
delete the remaining sub-paragraphs of this
paragraph)*

(i) Optional Redemption []
Date(s) (Put):

(ii) Optional Redemption [] per Calculation Amount
Amount(s) (Put) of each Note
and method, if any, of calculation
of such amount(s):

- (iii) Notice period: []
23. **Final Redemption Amount of** [] per Calculation Amount
each Note
- [In cases where the Final Redemption Amount is Index-Linked or other variable-linked:]*
- [(i) Index/Formula/variable: *[give or annex details]*
- (ii) Calculation Agent []
responsible for calculating the Final Redemption Amount:
- (iii) Provisions for []
determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:
- (iv) Date for determining []
Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable:
- (v) Provisions for []
determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:
- (vi) [Payment Date]: []
- (vii) Minimum Final [] per Calculation Amount
Redemption Amount:
- (viii) Maximum Final [] per Calculation Amount
Redemption Amount:
24. **Early Redemption Amount** [[] per Calculation Amount/specify
other/see Appendix]/Not Applicable *(If both the Early Redemption Amount (Tax) and the Early Termination Amount are the principal amount of the Notes/specify the Early Redemption Amount (Tax) and/or the Early Termination Amount if different from the principal*
Early Redemption Amount payable on redemption for taxation reasons (as contemplated by Condition 10 (b) or on event of default or other

early redemption and/or the *amount of the Notes*]
method of calculating the same
(if required or if different from [See also paragraph 21 (Regulatory Call)]
that set out in the Conditions):

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes: **Bearer Notes:**
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes on [] days' notice]
- [Permanent Global Note exchangeable for Definitive Notes on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
- (In relation to any Notes issued with a denomination of €100,000 (or equivalent) and integral multiples of €1,000 (or equivalent), the Permanent Global Note representing such Notes shall only be exchangeable to Definitive Notes in the limited circumstances of (1) closure of the ICSDs; and (2) default of the Issuer.)*
26. New Global Note: [Yes] [No]
27. Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/give details].
- Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 15(ii), 16(vi) and 18(x) relate]*
28. 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]
29. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit [Not Applicable/give details]

the Notes and interest due on late payment]:

30. Details relating to Instalment [Not Applicable/give details]
Notes: amount of each
instalment, date on which each
payment is to be made:

31. 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 Prospectus under Article 16 of the Prospectus Directive.)]

DISTRIBUTION

32. (i) If syndicated, names of [Not Applicable/give names, addresses and
Managers: underwriting commitments]

(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses 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.)

(ii) Date of [Subscription] []
Agreement:

(iii) Stabilising Manager(s) [Not Applicable/give name]
(if any):

33. If non-syndicated, name of [Not Applicable/give name and address]
Dealer:

34. Total commission and [] per cent. of the Aggregate Nominal
concession: Amount

35. U.S. Selling Restrictions: [Reg. S Compliance Category; [TEFRA C/TEFRA D/
TEFRA not applicable]

36. Additional selling restrictions: [Not Applicable/give details]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on the [regulated market of the Luxembourg Stock Exchange] of the Notes described herein pursuant to the € 3,500,000,000 Euro Medium Term Note Programme of the Issuer.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [[*Relevant third party information*] has been extracted from [specify source]. 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.] To the best of the knowledge of the Issuer, having taken all reasonable care to ensure that such is the case, the information contained in these Final Terms is in accordance with the facts and does not omit anything likely to affect the import of such information.

Signed on behalf of the Issuer:

By:

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i) Listing [Luxembourg/Other(*specify*)/None]

(ii) Admission to trading [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the regulated market of the Luxembourg Stock Exchange] with effect from [].] [Not Applicable.]

(Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)

(iii) Estimate of total expenses []
related to admission to trading

2. RATINGS

Ratings: The Notes to be issued have been rated:

[S & P: []][Moody's: []][Fitch: []][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.]

[[Insert credit rating agency] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended by Regulation (EU) No. 513/2011 of the European Parliament and of the Council of 11 May 2011) of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (“**CRA Regulation**”) [and is included in the latest list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation] / [[Insert credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EU) No. 1060/2009 (as amended by Regulation (EU) No. 513/2011 of the European Parliament and of the Council of 11 May 2011) of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (“**CRA Regulation**”).]

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

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

Save for any fees payable to the [Joint Lead] Managers, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.

[Amend as appropriate if there are other interests]

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

[(i)] Reasons for the Offer: []

(See "Use of Proceeds" wording in Base Prospectus - if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here)

[(ii)] Estimated net proceeds: []

(If proceeds are intended for more than one use will need to split out and present order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding)

[(iii)] Estimated total expenses: *(If the Notes are derivative securities for which Annex XII of the Prospectus Directive applies only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) where disclosure is included at (i) above)*

5. **[Fixed Rate Notes only – YIELD]**

Indication of yield: []

Calculated as *[include details of method of calculation in summary form]* on the Issue Date.

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. **[Floating Rate Notes only - HISTORIC INTEREST RATES]**

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]

7. **[Index-linked or other variable-linked notes only – PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING]**

(Need to include:

- (i) details of the exercise price or the final reference price of the underlying;
- (ii) details of where past and future performance and volatility of the index/formula/other variable can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident;

- (iii) description of any market disruption or settlement disruption events that affect the underlying;
- (iv) adjustment rules in relation to events concerning the underlying;
- (v) where the underlying is a security, the name of the Issuer of the security and its ISIN or other such security identification code;
- (vi) where the underlying is an index, the name of the index and a description if composed by the Issuer and, if the index is not composed by the Issuer, details of where the information about the index can be obtained;
- (vii) where the underlying is not an index, equivalent information;
- (viii) where the underlying is an interest rate, a description of the interest rate; and
- (ix) where the underlying is a basket of underlyings, disclosure of the relevant weightings of each underlying in the basket.)

8. **[Dual Currency Notes only – PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT**

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]

[(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 Prospectus under Article 16 of the Prospectus Directive.)]

Need to include:

9. **OPERATIONAL INFORMATION**

ISIN Code: []

Common Code: []

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)]

Delivery: Delivery [against/free of] payment

Names and addresses of initial []

Paying Agent(s):

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

Intended to be held in a manner [Yes][No][Not Applicable]

which would allow Eurosystem
eligibility:

[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 recognized 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 the ECB being satisfied that Eurosystem eligibility criteria have been met.] *[include this text if "yes" selected in which case the Notes must be issued in NGN form]*

FURTHER INFORMATION RELATING TO THE ISSUER

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

- (i) Objects: The objects of the Issuer, as set out in Article 4 of its by-laws, are as follows:
1. "the exercise of banking activity; this may include, in compliance with applicable provisions, all permitted transactions and banking and financial services, as well as any other activity instrumental or in any way connected to the furtherance of the corporate purpose.
 2. the issue of bonds in compliance with applicable provisions"
- (ii) Registered office: Via Ghislieri, 6, 60035 Jesi (AN), Italy
- (iii) Company registration: Companies registry of Ancona, number 22628; Bank Registry (*Albo delle Banche*) number 52365 and as head of the Banca delle Marche banking group (*Capogruppo del Gruppo Bancario Banca delle Marche*) number 60558.
- (iv) Amount of paid-up share capital and reserves: As at *[insert Issue Date]* a share capital of Euro [*] and reserves of Euro [*] (the latter as resulting from the balance sheet as of [*], for a total of Euro [*].

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

Each Global Note will be in bearer form. Consequently, in relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions of the Notes to "Noteholder" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under such Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note.

Exchange of Temporary Global Notes

Whenever any interest in a Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure:

- (a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated and, in the case of an NGN, effectuated, to the bearer of the Temporary Global Note; or
- (b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Note in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Fiscal Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 7 days of the bearer requesting such exchange.

Whenever a Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate

principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) a Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (Luxembourg time) on the seventh day after the bearer of a Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (b) Definitive Notes have not been delivered by 5.00 p.m. (Luxembourg time) on the forty-fifth day after the bearer of a Temporary Global Note has requested exchange of the Temporary Global Note for Definitive Notes; or
- (c) a Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of a Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, as the case may be) will become void at 5.00 p.m. (Luxembourg time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (Luxembourg time) on such forty-fifth day (in the case of (b) above) or at 5.00 p.m. (Luxembourg time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant. Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Definitive Notes will not be printed in respect of an amount of Notes which are less than the Minimum Denomination.

Where the Notes are listed on the Luxembourg Stock Exchange and its rules so require, the Issuer will give notice of the exchange of the Permanent Global Note for Definitive Notes pursuant to Condition 19 (*Notices*).

Exchange of Permanent Global Notes

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 45 days of the bearer requesting such exchange. See "Form of the Notes - Minimum denominations and restrictions on exchange for Definitive Notes".

If:

- (a) Definitive Notes have not been delivered by 5.00 p.m. (Luxembourg time) on the forty-fifth day after the bearer of a Permanent Global Note has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) a Permanent Global Note (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Note in accordance with the terms of the Permanent Global Note on the due date for payment,

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

Definitive Notes will not be printed in respect of an amount of Notes which are less than the Minimum Denomination.

Where the Notes are listed on the Luxembourg Stock Exchange and its rules so require, the Issuer will give notice of the exchange of the Permanent Global Note for Definitive Notes pursuant to Condition 19 (Notices).

Conditions applicable to Global Notes

Each Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding

liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered pro rata in the records of Euroclear and Clearstream, Luxembourg.

Exercise of put option: In order to exercise the option contained in Condition 10(f) (*Redemption at the option of Noteholders*) the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and Put Option Notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 10(c) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 19 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 19 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, except that, for so long as such Notes are admitted to trading on the Regulated Market of the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, such notices shall be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

DESCRIPTION OF THE ISSUER

Introduction

Banca delle Marche S.p.A. (the "**Bank**" or "**Banca Marche**"), is the result of a merger between Banca Carima S.p.A. (incorporated in 1846 as Cassa di Risparmio della Provincia di Macerata) and Cassa di Risparmio di Pesaro S.p.A. (incorporated in 1841), and was incorporated on 1 November 1994 as a joint stock company (*società per azioni*) in accordance with Italian law. The duration of the Bank is until 31 December 2090, though this may be extended through a shareholders' resolution. The Bank is domiciled in the Republic of Italy, and it is registered in the Register of Banks No. 5236.5 and in the Register of Banking Groups No. 6055.8. Its registered office is at Via Menicucci, 4/6 in Ancona, telephone number +39.0731.5391 (switchboard) and its Head Office is at Via Alessandro Ghislieri 6, in Jesi, Ancona.

On 31 December 1995, Cassa di Risparmio di Jesi S.p.A. (incorporated in 1844) was merged into the Bank. On 30 June 2003, Mediocredito Fondiario Centroitavia, a subsidiary of the Bank whose principal activity was to enter into leasing transactions, was merged into the Bank. In 2005 all of the Bank's leased assets were transferred to Medioleasing S.p.A., a wholly owned subsidiary of the Bank which was established in February 2005.

The Bank is one of the major banks in terms of total asset value in central Italy. The Bank's activities are concentrated in the Marche Region, on the east coast of central Italy. As at 31 December 2010 the Bank had 311 branches, located in the regions of Marche (224 branches), Lazio (39 branches), Umbria (14 branches), Emilia-Romagna (20 branches), Abruzzo (13 branches) and Molise (1 branch). The Bank's traditional customer base is mainly made up of retail customers, small and medium-sized businesses, and sole traders in the Region of Marche.

The Bank is a full-service bank providing a wide range of services and products to its customers, including current and savings accounts, secured and unsecured loan facilities, mortgage lending, import and export financing facilities, asset management and other investment and savings products.

As at 31 December 2010 the Bank's non-consolidated total assets were 20,392 million euro (18,557 million euro as at 31 December 2009) and its non-consolidated shareholders equity was 1,209,698,498 euro (after the distribution of dividends for 2009). As at 31 December 2010, the Bank's issued and fully paid share capital was 552,661,881.72 euro.

Major Shareholders of the Issuer

The following table lists, as at 31 December 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:

	Number of Shares	% of Share Capitals
Federazione Cassa di Risparmio della Provincia di Macerata	238,098,099	22.40%
Fondazione Cassa di Risparmio di Pesaro	238,098,099	22.40%
Fondazione Cassa di Risparmio di Jesi	113,999,477	10.73%
Intesa San Paolo S.p.A.	74,396,789	7%
Fondazione Cassa di Risparmio di Fano	35,412,323	3.33%
Other shareholders	335,327,108	31.55%
Treasury shares available	27,479,416	2.59%
Total	1,062,811,311	100

The Bank's shares are not listed on any stock exchange, but instead are traded through a systematic internaliser (*internalizzatore sistematico*).

To the best of the Bank's knowledge, 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 Bank.

On 6 October 2011, the Bank's long-term rating was downgraded by Moody's from A3 to Baa1. Therefore, the current Bank's ratings are:

Long-term: Baa1

Short-term: P-2

The Bank's ratings listed above carry a negative outlook.

To the knowledge of Bank, Moody's is a credit rating agency which is established in the European Community and has been registered in accordance with Regulation 1060/2009/EC (as amended by Regulation 513/2011/EC) (the "**CRA**"). As such Moody's is included in the latest list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA.

The Bank is the chief operating entity and the holding company of a banking group (the "**Group**") which comprised, as at 31 December 2010, the Bank and its five wholly or majority owned subsidiaries: Medioleasing S.p.A. (100.00 per cent.); Focus Gestioni SGR S.p.A. (100.00 per cent.); Carilo-Cassa di Risparmio di Loreto S.p.A. (78.81 percent.); and Banca Marche Gestione Internazionale Lux S.A. (99.98 per cent), Marche Covered Bond S.r.l. (60.00 per cent).

These five subsidiaries are fully consolidated with the Bank for the purposes of the Bank's consolidated financial statements.

Strategy

During 2010 the Bank's attention was focused, on the one hand, on maintaining the previous year's levels of liquidity, profitability and capital assets, and on the other, on supporting the real economy in

the areas in which it operates, in a context still characterised by a process of the slow and gradual recovery of the economy.

At the same time, the strategic initiatives identified in the 2010-2012 Industrial Plan approved by the Board of Directors in December 2009 were launched. This plan had been designed and constructed to run through the business years 2010-2012 and updated in order to guarantee continuity with that of the three-year period 2009-2011 with regards to the guidelines, objectives, optimisation methods and development of equity and income aggregates.

With the 2010-2012 Industrial Plan, the Bank strengthened the principles of autonomy, sustainable growth and vocation as a retail bank, such that those principles could be pursued, maintained in the mid-term and developed in accordance with the objectives of capital balance and structural liquidity balance.

The objectives of capital balance and structural liquidity balance were pursued without making use of the extraordinary resources made available by public measures in Italy (*the Tremonti Bonds*).

Despite the negative economic situation and the difficult conditions of the financial markets, and despite the impact on business processes deriving from the adaptations required by many important legislative changes, in the course of 2010 the Bank achieved results that are considered extremely satisfactory by the Bank's management, the Bank achieved a Return On Equity of 8%, a figure better than the average of the Italian banking system and which assumes particular importance as it is not the result of extraordinary operations carried out during the financial year, but derives solely from the Bank's core business.

The legislative changes introduced at the end of the year, which established more stringent rules for the weighting of particular categories of assets, were reflected in the level of the Bank's capital assets, with a Tier 1 Ratio of 7.76 % and a Total Capital Ratio of 11.29% on a non-consolidated base.

The Bank's presence in its core markets was further consolidated and more focused on supporting the economy, small and medium-sized enterprises and families, through the renewed organisational structure of the Sales Network, which has been structured into 15 zones, throughout the territory served, with a view to strengthening market coverage.

On the subject of liquidity, applying the guidelines laid down in the Liquidity Policy Handbook (as defined in the Liquidity Risk section) and in conformity with the Supervisory Regulations, considering also the particular situation of the financial markets, the Bank continued to differentiate between different forms of funding ensuring that the growth of lending to the economy is financed with the development of deposits by both Retail and Large Corporate customers, enabling a sharp reduction in recourse to the interbank market at all maturities and, at the same time, limiting its interbank debt position, reducing its total exposure, with the intention of maintaining this balance also for the next three years.

With reference to lending activities, as summarised in a specific Loan Policy document approved by the Board of Directors in June 2008, further supplemented by a specific concentration risk policy approved in April 2009, the Bank intends to further guide and regulate the loan granting processes and

the offer of products, assessing the appropriateness of the general loan policy with regards to performance and compliance with the aim of optimising the risk/return combinations.

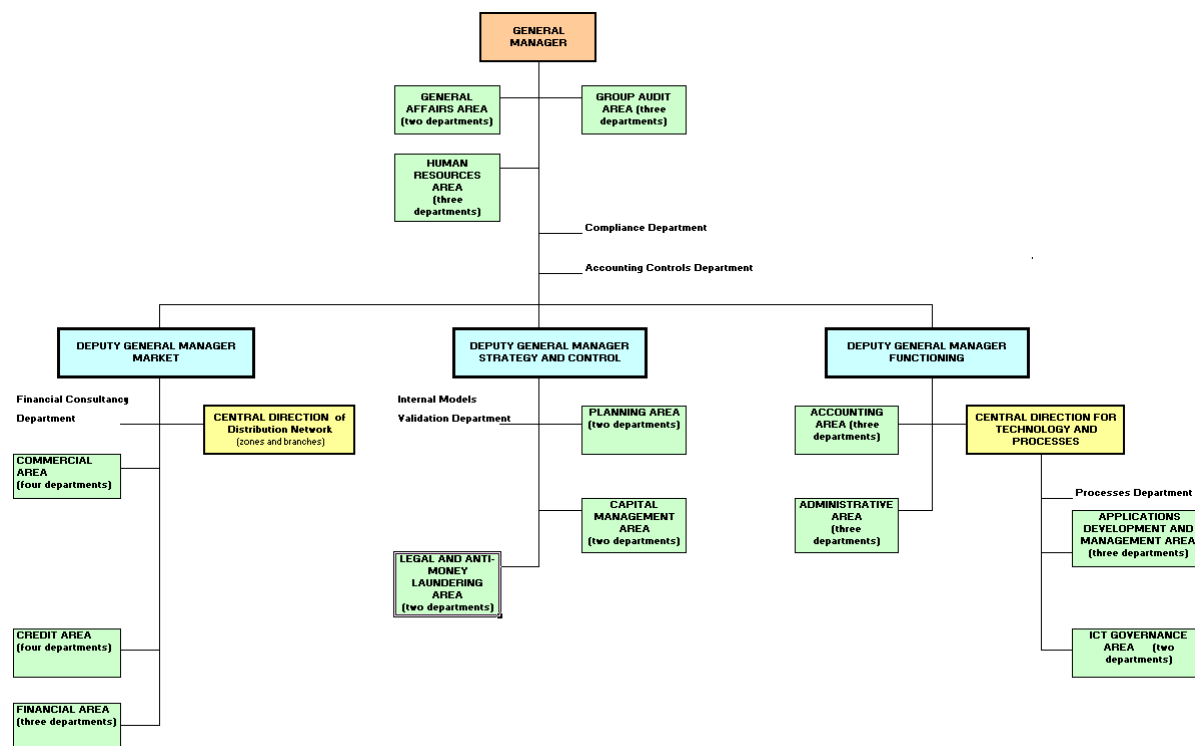
This process additionally involved the introduction by the Bank of an internal rating system, applied to all customer bands (with the exception of public bodies and financial companies), which enables a prudent policy of price definition and credit provision and new methods of the authorisations required for credit based on the quality of the borrower and/or the product financed.

A careful loan policy, together with the management of the Bank's liquidity profile, is a key element for the solid and prudent business management of the Bank.

The Bank's Organisational Structure

In May 2011, the Board of Directors approved the new organisational framework of the Bank. The most significant changes involved the staffing structure, with the creation of a new Deputy General Management (*Vice Direzione Generale*) in respect of which, with effect from 1 July 2011, a new Deputy General Manager was appointed. In particular, the "Deputy General Management Strategy and Control" department was created and oversees Planning, Capital Management and Legal & Anti-Money Laundering Areas and the Internal Models Validation Department.

The following chart illustrates the new organisational structure of the Bank:



The General Manager's staff is made up of the following groups: General Affairs Area; Human Resources Area; Group Audit Area; Compliance Department and Accounting Controls Department. The Commercial Area; the Credit Area; the Financial Area; the Financial Consultancy Department and the Central Direction of Distribution Network report to the Deputy General Manager Market; while the Central Direction for Technology and Processes; the Accounting Area and the Administrative Area report to the Deputy General Manager Functioning.

In order to ensure, as in the past, organisational structures, computer infrastructures, production processes and behaviour compliant with changing regulations and at the same time respecting our customers' and shareholders' interests, during 2010, the Bank further raised the level of monitoring of governance, and commercial and operational processes, also appointed a "Manager Responsible for Corporate Financial Reporting", in compliance with the amendments to the Consolidated Finance Act (CFA) and to Consob's Regulations for Issuers introduced on the enactment into Italian law by Legislative Decree 195/2007 of the Transparency Directive.

In March 2010 a review of the distribution/commercial process began by activating the Central Direction for Distribution Network and abolishing Territorial Areas. At the same time as mentioned previously, 15 zones within the territory served by the Bank were introduced, under which all branches operate.

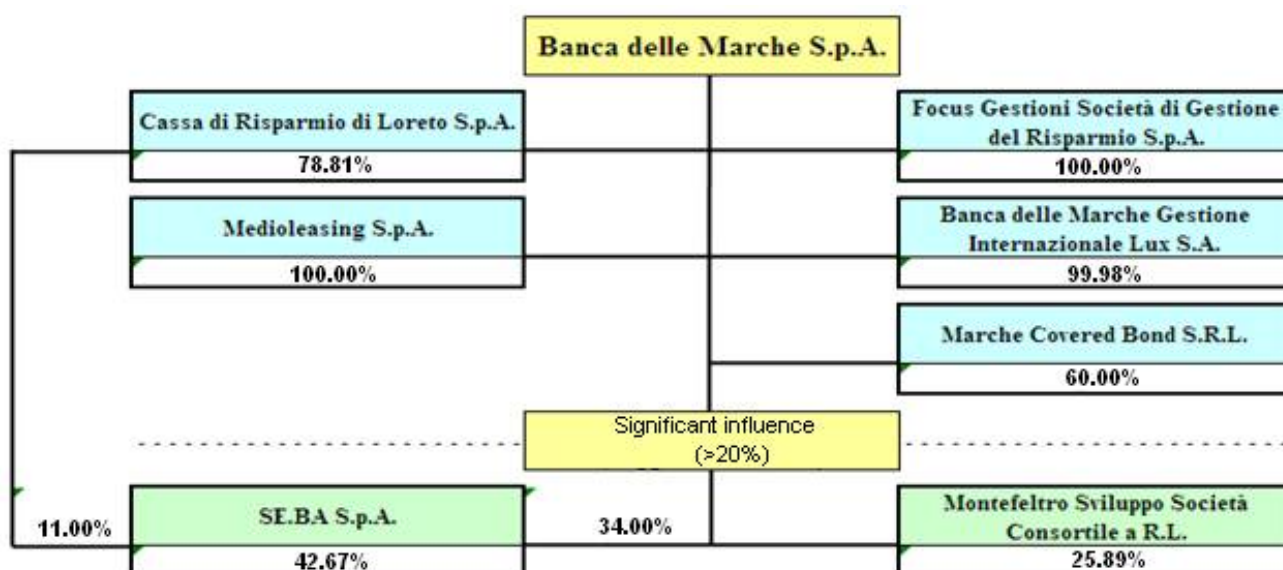
During 2010 Banca Marche chose to consolidate its distribution network so as to make the greatest economic and social impact.

Three new branches were inaugurated in each of the regions of Lazio, Umbria and Abruzzo.

The Group Structure

Banca delle Marche S.p.A. is the parent company of the same name Banking Group; consequently, the Bank is not dependent on any other entities within the Group.

The following table shows the structure of the Group and associated companies as at 31 December 2010:



Subsidiaries and Associated Companies

In order to provide its clients with a broad range of financial products and services, the Bank has established subsidiaries and forged alliances with other organisations for the joint development and distribution of products.

Subsidiaries

As at 31 December 2010 the Bank had the following subsidiaries:

Carilo – Cassa di Risparmio di Loreto S.p.A. ("Carilo"), based in Loreto, Ancona, is a local savings bank which concentrates on small and medium-sized customers. It has 15 branches concentrated in the province of Ancona. Its registered and head offices are at Via Solari, 21 in Loreto, Ancona. As at 31 December 2010 it held total assets of 806,344 thousand euro and its net profit for the year that ended on that date was approximately 5.8 million euro.

Medioleasing S.p.A., a wholly owned subsidiary of Banca delle Marche, was set up in February 2005. Over the course of 2010, its share capital has increased to 101 million euro, from 60 million euro as at

31 December 2009. Net interest income reached an amount of 19,598 thousand euro, recording a drop on 2009, of an absolute amount of 3,352 thousand euro (-14.6%). Net commission income was 550 thousand euro (-17.2% compared to 2009). The above trends were reflected in net banking income which, at the end of the year amounted to 20,149 thousand euro, down by 3,467 thousand euro (-14.7%). The company achieved a net profit for the year ending 31 December 2010 of 5,326 thousand euro.

Banca delle Marche Gestione Internazionale Lux S.A., set up in October 2004, manages funds established under the Law of Luxembourg. The Bank owns 99.98 percent of the shares of this company. On the operational front, assets managed reached 489 million euro, compared with 591 million euro at the end of 2009 (-17.3%).

Focus Gestioni, Società di Gestione del Risparmio S.p.A., based in Ancona, is an asset management company involved in the management of a closed-end investment fund. As at 31 December 2010, the company held total assets of 2,924 thousand euro. It closed 2010 with a loss of 160 thousand euro (the loss amounted to 70 thousand euro in 2009).

Marche Covered Bond S.r.l., based in Conegliano (TV), whose sole purpose is the purchase from banks of mortgage claims and other assets, funded by loans granted or secured also by the banks/transferrors of the above claims and assets and providing for guarantees for the bonds issued by those banks or different ones, pursuant to Article 7-bis of Law No. 130 of 30 April 1999. For further details see section headed "The Guarantor".

Associated Companies

Associated companies, defined as those under significant influence (where the Bank has at least one-fifth of the voting rights at Ordinary Shareholders' Meetings) are the following:

Montefeltro Sviluppo Soc. cons. a.r.l., based in Urbania (PU), a company which has the purpose of implementing, operating for the local action groups (GALs), all the actions provided for in the local development plan (LDP) of the Leader Plus integrated operating programme; and

S.E.BA. Servizi bancari S.p.A., based in Jesi (AN), which provides services to banks.

Competition

As a regional bank, the Bank's main competitors are other regional banks with operations in the Marche region and in central Italy and, to a lesser extent, certain national banking groups which have established limited operations in these areas. The operations of the other national banking groups in the Marche region are generally focused on a specific customer segment, principally major corporate customers and, accordingly, the Bank believes that the activities of those banks do not presently pose a significant threat to the Bank's traditional target customer base.

The Bank believes that its comprehensive regional branch network gives it a significant competitive advantage compared to the other banks operating in the Marche region that do not have such a developed network.

Based on figures published by the Bank of Italy, as at December 2010 the Bank's loan portfolio amounted to 25.96 percent of total loans outstanding by banks in the Marche region, and total customer deposits amounted to 28.42 percent of total bank customer deposits in the region. The Bank believes that its traditional presence in the Marche region has enabled it to establish long-standing relationships with the local communities in which it operates. The Bank believes that through its branch network in the Marche region and in neighbouring regions there is further scope for growth both in the Bank's traditional business areas and through the development and distribution of new products and services.

Lending

Loans to customer Portfolio

As at 31 December 2010, customer loans, relating to more than 174 thousand positions, amounted to 17,593 million euro, up 5.6% from the end of 2009 as shown below.

The table below shows a breakdown of lending by types of credit:

BREAKDOWN OF LOANS TO CUSTOMERS

	2010		2009		Change	
	<i>Amount/000</i>	<i>Prop. %</i>	<i>Amount/000</i>	<i>Prop. %</i>	<i>Amount/000</i>	<i>%</i>
Current accounts	3,824,675	21.7	3,805,744	22.8	18,931	0.5
Mortgage loans	9,970,678	56.7	9,208,977	55.2	761,701	8.3
Credit cards, personal loans, salary-backed loans	246,651	1.4	258,457	1.6	-11,806	-4.6
Other transactions	2,176,928	12.4	2,157,358	12.9	19,570	0.9
Debt securities	49,788	0.3	73,261	0.4	-23,473	-32.0
TOTAL PERFORMING LOANS	16,268,720	92.5	15,503,797	93.0	764,923	4.9
Impaired assets	1,324,496	7.5	1,164,257	7.0	160,239	13.8
TOTAL	17,593,216	100	16,668,054	100	925,162	5.6

The total aggregate also includes amounts disbursed to the Bank's subsidiary Medioleasing S.p.A., of 1,787 million at the reporting date, without which loans to customers would amount to 15,806 million euro, a 5.7% increase on 31 December 2009.

Current accounts, for ordinary credit line and credit subject to collection purposes, amounted to 3,825 million euro, in line with the figure at 31 December 2009 (-0.5%), including 19 million euro, the balance available to the Bank's subsidiary Medioleasing S.p.A..

Loans disbursed with repayment in instalments reached 9,971 million euro, an increase of 762 million euro (+8.3%), and are therefore still the main instrument of lending and support to the economy of the territories served by the Bank.

This item includes 2,586 million euro relating to mortgage loans subject to various securitisation transactions, of which 935 million euro relates to the residual debt of the performing loans portfolio (cover pool) deriving from residential mortgage loans transferred without recourse and as a block to

Marche Covered Bond S.r.l. on 1 May 2010 following completion of a covered bond transaction. The figure also includes loans to the Bank's subsidiary Medioleasing SpA of 943 thousand euro in line with the figure for 31 December 2009.

The consumer credit segment (credit cards, personal loans and salary-backed loans) with 247 million euro fell in the same period by approximately 12 million euro (-4.6%).

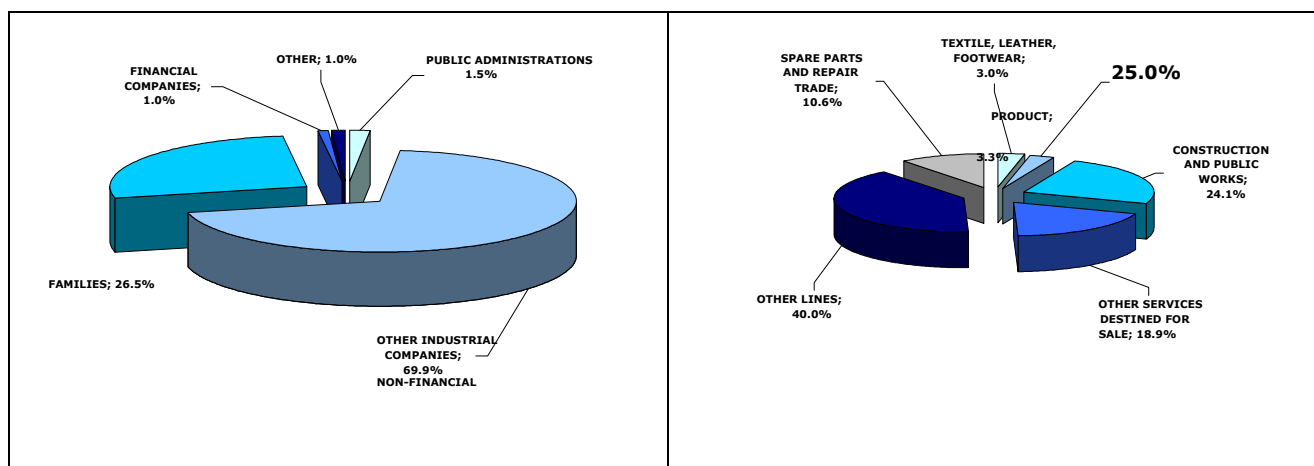
Other forms of lending, including direct grants, special credit and financial portfolio, amounted to 2.177 million, an increase over 31 December 2009 of 20 million euro (+0.9%). This amount includes the short-term loan to the Bank's subsidiary Medioleasing S.p.A. of 825 million euro (743 million euro at 31 December 2009), net of which the aggregate would have declined by 4.4%.

In the context of prudent management the stable level of detailed coverage is confirmed by the high proportion of loans backed by real guarantees, as opposed to loan disbursements with ancillary guarantees. In addition, the current loan policies envisage a low level of loan to value on guaranteed loans.

The breakdown of loans by borrower category (economic segment) and branches of business is shown below as at 31 December 2010:

Graph. 1 - BREAKDOWN BY ECONOMIC SEGMENT OF COUNTERPARTY (%)

Graph. 2 - BREAKDOWN BY BUSINESS SEGMENT OF COUNTERPARTY (%)



Almost all the Bank's lending (Graph 1) was to non-financial companies (69.9%) and families (26.5%) with a greater proportion compared with 2009 of the latter (25% at end 2009) and a lower proportion of the former (70.9% at end 2009). This was due to the continuing economic crisis, which caused a slowdown in loan applications by businesses.

Amongst the various branches of business (Graph 2), the construction and public works segment, other services destined for sale and the spare parts and repair trade remained the most significant.

The concentration of loans amongst the top 20, 30 and 50 customers remains basically at the same levels reported for December 2009, albeit slightly up for each of the three groups:

	As at 31 December	
	2010	2009
Top 20 customers	6.3%	6.1%
Top 30 customers	7.7%	7.6%
Top 50 customers	10.1%	9.9%

The distribution of loans and advances to customers according to credit facility brackets provides a significant picture of the characteristic breakdown of customers in the core territory of the Bank's operations, made up mostly of families, shopkeepers, and small and medium-sized enterprises.

Security

Of the Bank's total outstanding loans (17,593 million euro), 12,615 million euro (71.7 percent) were secured by mortgages, pledges over cash deposits, securities or other assets or guaranteed by public agencies, banks or other enterprises.

Apart from those lending activities where the Bank is required to obtain security by law (for example, loans to finance real estate acquisitions), the Bank's policy is to request securities and guarantees on a case-by-case basis.

The following table gives a breakdown of securitised exposures to customers by type of guarantee obtained by the Bank with respect to its loan portfolio as at 31 December 2010 (*in thousands of euro*). The figures represented in the table are the fair values of the guarantees:

Net exposure value	Real guarantees (1)			Personal guarantees (2)								Total (1)+
				Credit derivatives				Endorsement loans				
	Real estate	Securities	Other real guarantees	Credit linked notes	Other derivatives			Governments and central banks	Other public bodies	Banks	Other subjects	
					Governments and central banks	Other public bodies	Banks					

1.

Guaranteed cash exposures to customers:

12,615,529	41,112,800	262,945	35,964	-	-	-	-	-	262	16,201	4,844	8,398,514	49,831,530
1.1 completely guaranteed	12,077,122	40,925,542	216,452	31,292	-	-	-	-	262	12,019	4,541	7,255,481	48,445,589
- of which impaired	1,142,013	6,654,521	8,596	6,735	-	-	-	-	-	14	111	654,145	7,324,122
1.2 partially guaranteed	538,407	187,258	46,493	4,672	-	-	-	-	-	4,182	303	1,143,033	1,385,941
- of which impaired	56,006	74,613	1,538	323	-	-	-	-	-	2,130	-	172,661	251,265

The Consolidated Loan Portfolio

At 31 December 2010, loans to customers of the Banca Marche Group totalled 18,796 million euro, an increase compared to the end of 2009 of 1,016 million (+5.7%), similar to that reported by the Parent Company (+5.6%) and the two subsidiaries Medioleasing S.p.A. (+5.7%) and Cassa di Risparmio di Loreto S.p.A. (+5.6%), as shown in the table below:

	As at 31 December					
	2010		2009		Change	
	<i>Amount/000</i>	<i>Prop. %</i>	<i>Amount/000</i>	<i>Prop. %</i>	<i>Amount/000</i>	<i>%</i>
Banca delle Marche S.p.A.	17,593,216	93.6	16,668,054	93.7	925,162	5.6
Carilo - Cassa di Risparmio di Loreto S.p.A.	670,085	3.6	634,790	3.6	35,295	5.6
Medioleasing S.p.A.	2,327,895	12.4	2,201,350	12.4	126,545	5.7
Focus Gestioni Sgr S.p.A.	-	0.0	-	0.0	-	0.0
BdM Gestione Internazionale Lux S.A.	-	0.0	-	0.0	-	0.0
Marche Covered Bond S.r.l	-	0.0	n.a.	n.a.	n.a.	n.a.
CONSOLIDATION	20,591,196	109.6	19,504,194	109.7	1,087,002	5.6
Consolidation eliminations	-1,786,993	-9.6	-1,716,529	-9.7	-70,464	4.1
Consolidation adjustments	-8,613	0.0	-8,263	0.0	-350	4.2
TOTAL	18,795,590	100	17,779,402	100	1,016,188	5.7

Loan Classification

The Supervisory Authorities of the Bank of Italy identify five categories of problem loans:

restructured loans (*crediti ristrutturati*);

loans subject to country risk (*crediti soggetti a rischio paese*);

doubtful loans (*partite incagliate*);

past-due loans (*crediti scaduti*); and

bad loans (*crediti in sofferenza*).

Restructured loans

These are loans made by a pool of banks (or just one bank) where a moratorium has been granted and the rate of interest has been renegotiated at a lower rate, or at the market rate. Loans to companies which have ceased trading or are insolvent are excluded from this category. The restructured part of the loan does not have to be disclosed as a non-performing loan or an impaired loan. It only needs to be disclosed when the renegotiated terms are no longer compatible with the market. As at 31 December 2010, the Group's cash exposure to customers of these loans amounted to 17,566 thousand euro net of adjustments of 374 thousand euro.

Loans subject to country risk

The "Loans subject to country risk" category relates to loans made to counterparties located in countries where the State has difficulties servicing its debt. There are four categories of risk for these loans: zero, low, medium and high.

For each of these groups, all Italian banks must monitor the percentage of devaluation (0 per cent., 15 per cent., 30 per cent. and 40 per cent.) which has to be applied to loans which are not specifically guaranteed against political or economic risk. All Italian banks must report on a monthly basis their positions for each country to the Bank of Italy. As at 31 December 2010, the Bank held no such loans.

Doubtful loans

Pursuant to guidelines established by the Bank of Italy, the Bank must classify a loan as an "doubtful loan" when the Bank determines that the borrower is experiencing financial or economic difficulties that are likely to be temporary. As at 31 December 2010 the Group's doubtful loans were 589,056 thousand euro, net of adjustments of 63,362 thousand euro.

Past-due loans

Pursuant to guidelines established by the Bank of Italy, the Bank must classify a loan a " past-due" when any material credit obligation to the banking Group is overdue by more than 90 days. As at 31 December 2010 the Bank's past-due loans were 363,117 thousand euro, net of adjustments of 3,114 thousand euro.

Bad loans

Bad loans are loans where the borrower is in a state of insolvency (whether or not proceedings have been commenced). This is a subjective test, as the Bank decides whether a borrower is insolvent. As at 31 December 2010, bad loans (loans outstanding to insolvent debtors) amounted to 684,280 thousand euro, net of writedown of 336,620 thousand euro.

The following table shows, as at 31 December 2010, a breakdown of the Group's cash exposures to customers (after provisions have been made):

Type of exposure/amounts	As at 31 December 2010			
	Gross	Specific	Portfolio	Net
	exposure	writedowns	writedowns	exposure
	<i>Amount/000</i>	<i>Amount/000</i>	<i>Amount/000</i>	<i>Amount/000</i>
A. Cash exposures				
A.1 Banking group				
a) Bad loans	1,020,900	336,620	X	684,280
b) Doubtful loans	652,418	63,362	X	589,056
c) Restructured loans	17,940	374	X	17,566
d) Past-due loans	366,231	3,114	X	363,117
e) Other assets	18,262,673	X	77,756	18,184,917
Total A	20,320,162	403,470	77,756	19,838,936

International activities

The following table shows a breakdown of the Bank's foreign trading transactions, as at 31 December 2010 and 2009:

	As at 31 December			
	2010	2009	Changes	
	<i>million euro</i>	<i>million euro</i>	<i>million euro</i>	%
Exports + services	2,735	2,444	291	11.9%
Imports + services	1,731	1,366	365	26.7%
Total	4,466	3,810	656	17.2%

With reference to transactions negotiated by the branches situated in the Marche region, there was a total increase in business of 11.2%, with an increase of 5.7% in export flows and 22.7% in import flows.

Financial Portfolio

The total outstanding value of the financial portfolio as at 31 December 2010 amounted to 1,441 million euro compared to 838 million euro as at 31 December 2009. The following table shows the breakdown of the financial portfolio as at 31 December 2010 and 31 December 2009:

<i>Financial assets held for trading and available for sale (in euro)</i>	As at 31 December	
	2010	2009
Financial assets held for trading	289,462,841	260,513,767
Financial assets available for sale	1,152,121,514	577,665,742
Total	1,441,584,355	838,179,509

As at 31 December 2010, financial assets held for trading amounted to 289 million euro (261 million euro as at 31 December 2009). Financial assets included in the trading book are cash financial instruments purchased essentially in order to obtain short-term profits and derivative contracts other than those designated as hedging instruments.

As at 31 December 2010, financial assets available for sale amounted to 1,152 million euro (578 million euro as at 31 December 2009). This AFS portfolio includes securities used in repurchase agreements for funding and securities held to optimise the Group's liquidity profile, as well as positions with "service" purposes. Also for the component of securities other than held for trading, the increase in the average balance was mainly referable to Italian government issues, which account for 71% of assets available for sale.

The operation of the trading book is mainly concerned with realising positive economic results through the buying and selling of financial assets, complying with the total profit targets of the Bank and with the strategic objectives. The portfolio also consists of financial instruments destined for trading with customers, for investment, or to hedge the interest rate risk on customer positions which are sensitive in respect to the risk of changes in the level of returns.

The balance of the trading bond book at the end of the year ended 31 December 2010 amounts to 106.9 million euro, recording an increase on the 97.5 million posted at end 2009. This derives from the increase in the positions in Italian state securities (+25 million), partly offset by a reduction in bank issuer securities (-14 million).

The positions held during the year in the government bond segment involved both securities and derivatives, mainly futures and, to a lesser extent, options on futures, with underlying government securities of the leading European countries, listed on the Eurex market.

The trading swap book consists mainly of interest rate risk hedging transactions for corporate customers, offset specifically with institutional counterparties. The volumes achieved on trading swap book slowed down as a result of the declining trend in interest rates, but it nonetheless remained at quite reasonable levels, confirming our customers' appreciation of the products offered by the Group (mainly caps and swaps) and the capacity of the dedicated management and network structures to channel them effectively.

The equities portfolio at the end of the year ended 31 December 2010 accounts for 8% of the trading book, with a balance of about 12 million euro, stable when compared with the end of 2009 (11 million). Operations on foreign markets are carried out through derivatives on indices, with the aim of expanding investments or protecting the portfolio in the various stages of the market, or through units of foreign equity funds.

The table below shows the return on the financial portfolio as at 31 December 2010 and 2009:

	As at 31 December	
	2010	2009
	<i>Amount/000</i>	<i>Amount/000</i>
Average balance	1,208,577	872,493
Total return on securities portfolio and trading derivatives	33,511	61,228
of which:		
Interest and discounts	27,971	20,674
Dividends on financial assets held for trading	642	225
Net result from trading	27,641	27,469
Gains/(losses) from disposal or repurchase of AFS and own liabilities	10,662	6,984
Change in value of AFS securities	-33,620	12,556
Annual Return On Investment	2.80%	7.80%
Average balance of securities held for trading	185,460	173,464
Return on HFT securities and derivatives	16.00%	17.00%

As regards the trading book, the return in 2010 was 16%, again at a more than satisfactory level in line with the previous year (17.0%).

Funding

At 31 December 2010 total funding amounted to 20,036 million euro, an increase of 2.8% over 31 December 2009 with growth in direct deposits, which reached 15,669 million euro (+4.1%) and a drop

in forms of deposits in administration, custody or management on behalf of customers which amounted to approximately 4,367 million euro (-1.7%).

Direct customer deposits represented 78.2 percent of the total and the remaining 21.8 percent represented assets under administration, assets under management and insurance products. In particular, direct customer deposits amounted to 15,668 million euro (an increase of 611 million euro compared to the end of 2009).

The table below shows a breakdown by type of the Bank's total customer deposits as at 31 December 2010 and 2009:

	As at 31 December					
	2010		2009		Change	
	<i>Amount/000</i>	<i>Prop. %</i>	<i>Amount/000</i>	<i>Prop. %</i>	<i>Amount/000</i>	<i>%</i>
DIRECT FUNDING	15,668,964	78.2	15,057,263	77.2	611,701	4.1
of which:						
<i>Ordinary customer deposits</i>	<i>11,835,959</i>	<i>59.1</i>	<i>11,389,220</i>	<i>58.4</i>	<i>446,739</i>	<i>3.9</i>
<i>Institutional customer deposits</i>	<i>3,062,930</i>	<i>15.3</i>	<i>3,218,323</i>	<i>16.5</i>	<i>-155,393</i>	<i>-4.8</i>
<i>Other forms of funding</i>	<i>770,075</i>	<i>3.8</i>	<i>449,720</i>	<i>2.3</i>	<i>320,355</i>	<i>71.2</i>
INDIRECT FUNDING	4,366,932	21.8	4,441,744	22.8	-74,812	-1.7
TOTAL FUNDING	20,035,896	100	19,499,007	100	536,889	2.8

In terms of the breakdown of direct funding by type of customer, (distinguishing ordinary from institutional customers), as of 31 December 2010, deposits from ordinary customers rose to 11,836 million euro (+3.9%), whilst deposits from institutional customers fell to 3,063 million euro (-4.8%), a decline relating to two senior bonds with a principal amount of 300 million euro issued under the Bank's EMTN Programme maturing during the year and only in part being replaced by new issues.

The increase in other forms of funding, amounting to 770 million euro (+71.2%) was mostly due to an increase in short term funding from large corporate customers.

Direct Funding

The following table shows the breakdown of the Bank's direct customer deposits (customer funding and funding represented by bonds) by type, as at 31 December 2010 and 2009:

	As at 31 December					
	2010		2009		Change	
	<i>Amount/000</i>	<i>Prop. %</i>	<i>Amount/000</i>	<i>Prop. %</i>	<i>Amount/000</i>	<i>%</i>
Current accounts and deposits	7,000,183	44.7	6,295,209	41.8	704,974	11.2
Funding against debt securities in issue	7,359,111	47.0	7,883,116	52.4	-524,005	-6.6
of which:						
<i>Bonds</i>	<i>6,094,800</i>	<i>38.9</i>	<i>6,046,364</i>	<i>40.2</i>	<i>48,436</i>	<i>0.8</i>
<i>Other securities</i>	<i>1,264,311</i>	<i>8.1</i>	<i>1,836,752</i>	<i>12.2</i>	<i>-572,441</i>	<i>-31.2</i>
Payables against securitised loans	211,746	1.4	258,323	1.7	-46,577	-18.0

Funds received in administration and other payables	997,421	6.4	555,581	3.7	441,840	79.5
Repurchase agreements	100,503	0.6	65,034	0.4	35,469	54.5
TOTAL	15,668,964	100	15,057,263	100	611,701	4.1

Current account balances and savings deposits, amounting to 7,000 million euro, were up in comparison with 31 December 2009 (+11.2% percent), supported also by the growing distribution of current account packages, which rose by more than 14 thousand (+6.1% on December 2009).

As regards medium and long-term funding activities on the capital markets, during 2010 funding by issues of senior bonds with institutional clients decreased by 300 million euro owing to redemption of senior bonds and this funding was only in part replaced by new issues. In particular, in March and September two new Senior Floating Rate Note issues were placed under the EMTN Programme, for an amount of 650 million euro and 250 million euro respectively with an original maturity of two years.

The Bank has also made arrangements to exploit alternative funding sources, using notes backed by some of the Bank's own receivables portfolio, to be used in repurchase agreements with the European Central Bank and other counterparties.

In particular, in July 2010 the Bank (i) established a 5 billion euro Covered Bond Issuance Programme unconditionally and irrevocably guaranteed by Marche Covered Bond S.r.l.; and (ii) issued, under the Programme, a first series of Covered Bonds (*obbligazioni bancarie garantite*), amounting to 725 million euro and due 25 July 2015, with the intention of purchasing it and using it as collateral for its own funding purposes.

Overall this operation consisted of the Bank (the Originator) selling assets of high credit quality to the special purpose vehicle ("SPV") Marche Covered Bond S.r.l. (the Guarantor), set up for such purpose under the terms of Law 130/99, and issuing bonds that also benefit from the guarantee provided by the SPV which itself is backed by the relevant separate capital assets. On 31 May 2010, the Bank signed the framework agreement for the sale with Marche Covered Bond S.r.l. for the purpose of completing the Covered Bond transaction.

As part of this transaction, on 1 May 2010 the Bank sold, without recourse and en bloc, to Marche Covered Bond S.r.l., a performing loan portfolio (cover pool) deriving from residential mortgage loans for a price of 1,020 million euro.

The first series of Covered Bonds, rated Aaa by Moody's on issuance, was listed on the Luxembourg Stock Exchange and was fully subscribed by the Bank for use as collateral in major refinancing operations ("MROs") with the ECB or in long-term repurchase agreements with other institutional counterparties. During 2010, in fact, a long term repurchase operation, with maturity of 3.5 years, was completed for an amount of 350 million euro using securities of this kind.

During 2010 direct funding with EIB funds decreased by approximately 20 million euro, exactly equivalent to the repayments made of principal on loans taken out previously. The agreement with the EIB is to use the funds provided by EIB to finance projects undertaken by small and medium enterprises operating in the Bank's core territory.

Indirect Funding: Assets under Administration and Assets under Management

Indirect funding amounted to 4,367 million, as compared to 31 December 2009, a drop of approximately 75 million (-1.7%). The result of a positive trend in the "administered" component, which rose to 2,442 million euro (+12.4%), was not enough to offset the drop recorded in the managed component (1,925 million euro, -15.2%).

The following table shows the breakdown of the Bank's indirect funding as at 31 December 2010 and 2009:

	As at 31 December					
	2010		2009		Change	
	<i>Amount/000</i>	<i>Prop. %</i>	<i>Amount/000</i>	<i>Prop. %</i>	<i>Amount/000</i>	<i>%</i>
Administered deposits	2,442,408	55.9	2,172,957	48.9	269,451	12.4
Of which:						
Government securities	1,034,826	23.7	914,665	20.6	120,161	13.1
Corporate Bonds	929,462	21.3	862,467	19.4	66,995	7.8
Shares	432,709	9.9	372,945	8.4	59,764	16.0
Other securities	45,411	1.0	22,880	0.5	22,531	98.5
Managed Deposits	1,924,524	44.1	2,268,787	51.1	-344,263	-15.2
Of which:						
Mutual funds	464,206	10.6	550,084	12.4	-85,878	-15.6
Asset management	1,077,285	24.7	1,241,457	27.9	-164,172	-13.2
Insurance products	383,033	8.8	477,246	10.7	-94,213	-19.7
Total	4,366,932	100	4,441,744	100	-74,812	-1.7

In relation to the single components of administered deposits, government securities, benefiting from the increase in medium/long-term securities, especially BTPs, increased to 1,035 million euro (+13.1% on 2009) representing 23.7% of the total (an increase from 2009). Corporate bonds rose to 929 million euro (+7.8%), while shares, with growth of 16%, amounted to 433 million euro. Lastly, other securities, which as a proportion of the total remained at negligible levels, amounted to 45 million euro.

Managed deposits, totalling 1,924 million euro (which represents 44.1% of total indirect funding) fell by 15.2%.

Treasury Activities

Treasury activities and financial operations have the aim, on the one hand, of collecting funds in the financial markets and, on the other, of using these funds in full accordance with the risk/return targets laid down by the Board of Directors at the aggregate level, for the entire Banking Group.

As at 31 December 2010, funding from institutional customers and from banks amounted to 5,850 million euro compared with 4,831 million euro as of 31 December 2009, an increase of 21.1% which was due, as shown below, exclusively to growth in short-term funding.

	As at 31 December			
	2010	2009	Change	
	<i>Amount/000</i>	<i>Amount/000</i>	<i>Amount/000</i>	<i>%</i>
Medium-term funding	3,700,883	3,652,965	47,918	1.3
of which:				
<i>Senior bonds</i>	<i>2,295,000</i>	<i>2,595,000</i>	<i>-300,000</i>	<i>-11.6</i>
<i>Subordinated bonds</i>	<i>365,000</i>	<i>365,000</i>	<i>-</i>	<i>0.0</i>
<i>Other medium/long-term financing</i>	<i>100,000</i>	<i>100,000</i>	<i>-</i>	<i>0.0</i>
<i>Funding against securitisations</i>	<i>211,746</i>	<i>258,323</i>	<i>-46,577</i>	<i>-18.0</i>
<i>Direct deposits of EIB funds</i>	<i>314,410</i>	<i>334,642</i>	<i>-20,232</i>	<i>-6.0</i>
<i>Direct deposits of CDP funds</i>	<i>64,727</i>	<i>-</i>	<i>64,727</i>	<i>n.a.</i>
<i>Long Term Repos</i>	<i>350,000</i>	<i>-</i>	<i>350,000</i>	<i>n.a.</i>
Short-term funding	2,148,692	1,178,307	970,385	82.4
of which:				
<i>Due to ECB</i>	<i>1,250,000</i>	<i>450,021</i>	<i>799,979</i>	<i>177.8</i>
<i>Repurchase agreements with Credit Institutions</i>	<i>616,206</i>	<i>105,469</i>	<i>510,737</i>	<i>484.3</i>
<i>Current Accounts and demand deposits</i>	<i>57,107</i>	<i>176,387</i>	<i>-119,280</i>	<i>-67.6</i>
<i>Time deposits</i>	<i>187,207</i>	<i>423,000</i>	<i>-235,793</i>	<i>-55.7</i>
<i>Other short-term loans</i>	<i>38,172</i>	<i>23,430</i>	<i>14,742</i>	<i>62.9</i>
TOTAL	5,849,575	4,831,272	1,018,303	21.1

With regard to liquidity management, in 2010 and in line with a policy of diversifying funding and maturities, the Bank funded itself on the interbank market only to deal with short-term liquidity imbalances.

As of 31 December 2010, short-term exposure stood at 2,149 million euro, an increase of 970 million euro due to:

- greater exposure to the European Central Bank (+800 million euro) deriving from participation in main refinancing operations with the ECB amounting, as of 31 December 2010, to 1,250 million euro.
- an increase of 511 million euro in repurchase agreements with institutional counterparties, amounting at the reporting date to 615 million euro.

These increases were mainly and partially offset by a reduction in interbank funding, amounting at the reporting date to 210 million euro (a fall of 300 million euro from previous year), recognised among payables in current accounts and demand and time deposits which at the reporting date total 244 million euro.

Risk Management

In January 2008, pursuant to a resolution of the Board of Directors, the Bank set up a Risk Management Unit. The Risk Management Unit exercises the function of control under the terms of the joint Bank of Italy/Consob regulations on the organisation of intermediaries and of the Prudential Supervisory Rules of the Bank of Italy for the entire Group.

The objective of the formation of the Risk Management Unit was to ensure the adoption and use of lending principles, standards and processes as regards the granting, monitoring and recovery of loans and advances, and to define the optimal composition of the loan portfolio of the Bank and the Group in order to optimise its strategies and obtain the maximum risk-adjusted yield.

The organisational structure approved by the Bank in May 2011 assigns responsibility for the Risk Management Unit to the Deputy General Management Strategy and Control that is made up of the Capital Management Area, the Planning Area, the Legal & Anti-Money Laundering Area and the Internal Models Validation Department. The Capital Management Unit coordinates the Asset & Liability Management (ALM) and Risk Management Department, which is responsible for the quantification and management of market and operational risks, and the Credit Policies Department, which quantifies credit risks. The Planning Area is made up of both the Planning & Management Control Department and the Organisational Policies Department. The Legal & Anti-Money Laundering Area is made up of the Legal Department and the Anti-Money Laundering Department.

Credit Risk

General Aspects

Credit risk is the risk that, in the context of a lending operation, the debtor will not fulfil, fully or partially, its obligations to repay principal and to pay interest. In pursuing its strategic objectives in terms of lending aimed at improving the quality of the own loan portfolio, the Group has produced a Group policy guidelines document (known as the Loan Policy) which ensures the adoption and use of lending principles, norms, and processes for the disbursement of loans as well as monitoring of the same, in order to enable a more knowledgeable and efficient allocation of the economic and regulatory capital available to the Group.

With regard to its lending activities, the Group focuses its efforts on pursuing, as a priority, effective control of the credit risk of transactions in the context of its growth strategies in areas mainly outside the Marche region. The primary objective is to maintain the high quality of the loan portfolio through the adoption of specific IT procedures and to complete certain projects aimed at creating systems of assessment of creditworthiness based on internal rating models (as required by the new rules on prudential supervision for banks – Basel 2 – Bank of Italy Circular 263 of 27/12/2007) and in addition the adoption of lending policies with the aim of taking advantage of risk mitigation instruments and adequately diversifying and distributing the lending portfolio..

The entire process of application, approval, management and monitoring takes place on the basis of regulations which are adequately illustrated in internal manuals and constantly updated over time in order to keep them compliant with legislative and structural developments. Each decision-making body has powers of approval characterised by lending limits and by the borrower's risk level.

Management, measuring and auditing systems

In the context of the lending process, determination of the loan policy and the development of strategies for the management of risks, the Bank has assigned responsibility for project work on "Basel 2" to the Deputy General Management Strategy and Control (which is, *inter alia*, responsible for the

Loan Datawarehouse) in order to allow the management of the various components of the Internal Rating System for the Bank.

The model of the counterparty performance rating (PD), attributed on the basis of an analysis of the financial statements, the performance profile and the external performance data, has already been prepared for all enterprises (the building industry is assessed with a specifically developed model) and for the Parent Company's Retail customers; the same models have been extended to analogous data of the Carilo subsidiary. The rating models combine the statistical component of the model with the judgment of banking industry experts. This is carried out through a process known as "override"; this operational method is managed through an application that ensures the structured performance of all the stages necessary for the assessment of a request, up to the approval of the final decision. The Internal Rating System is subject to specific validation processes (understood as the formalised set of activities, instruments and procedures developed to establish the accuracy of risk component estimates), and is gradually having an effect on the operational stages of the determination of pricing, approval and renewal of loans and advances, and for the measurement of the associated risks. As part of the work on monitoring trends, together with the indications provided by the Internal Rating System, the Bank updated the information used in the determination of the PUARC (Single Corporate Score for Customer Risk), using the new figures produced by the AARC procedure (analysis of return flows from the Central Credit Register) subsequent to its combination with the data from the Central Credit Register for limited amounts. The PUARC is a score which is attributed to single lending positions in order to determine their risk, making the audit system more efficient by monitoring the performance of these positions in order to intervene promptly to protect the Bank's rights. This indicator is the result of the weighting of the indices produced by four procedures (AURA, AACR, RIAN - performance monitoring procedures, Balance Sheet Rating) and summarises the risk of every counterparty (borrower or otherwise) who has outstanding debts, with a scale of values from 0 to 100. The "SGR – Risk Management System" monitors loan positions, making available to the decision-making organs an "electronic desk" through which it can quickly intervene if anomalies arise. There is therefore constant monitoring of the credit portfolio at all levels, with supervision, assessment and auditing at branches, Area Offices and the Head Office (Credit Monitoring Service). Customers are classified according to growing levels of risk, on the basis of the score assigned through the PUARC procedure. The Bad Loan Management System ("SGS"), which is currently being completed and integrated with the SGR described above, is intended to improve the management and accounting of relationships reclassified as bad loans. The procedure also contains all the information necessary for loss given default ("LGD") forecasts. The credit risk monitoring work involves the monthly production by the Credit Risk Monitoring Department of specific reports on the loan portfolio divided according to amount bands, territorial areas, business sectors and individual branches, with data on performing loans, abnormal positions (watch list loans), doubtful loans, restructured loans and bad loans.

In relation to activities connected to the principles envisaged by Basel 2, the Group is moving forward with activities aimed at revising and perfecting its internal rating system (PD/LGD/EAD) with the objective of leading the Group towards the adoption of an advanced internal system (AIRBA – Advanced Internal Rating Based Approach) for the purposes of calculating regulatory capital. During the course of 2010, the Bank modified the way responsibilities were assigned in terms of lending, linking decision making rights to the level of customer risk as represented in the internal rating class. During the same period, the use of the internally estimated LGD was definitively made concrete for all

management reporting purposes (analysis of distribution of rated portfolios in terms of expected losses). In addition, in accordance with the ICAAP 2008 report the Group has presented initial quantifications of Internal Capital through the use of more advanced regulatory approaches. The operational adoption of LGD is planned for the year 2011 as well as completion of EAD estimates (management use of the same will be moved forward for the purposes of reporting).

The model of the counterparty performance rating (PD), attributed on the basis of an analysis of financial statements, performance profile and external performance data, is already available for Banca Marche's entities and retail customers and has been extended to those of the Bank's Carilo subsidiary.

Interest rate risk

Regulatory trading book

The internal audit system measures and monitors market risks incurred by the Group's financial portfolio as second level audits, under the supervision of the Parent Company's ALM and Risk Management Department. The detection and monitoring system enables the daily monitoring of the two major aspects of the management of financial market trading: management performance and exposure to market risks. The information produced by the system is communicated daily to all staff involved in the financial risk supervision and management process (the Financial Area), as well as to the top management of the Bank and to the Auditing Department. The measurement component of the internal audit system incorporates automatic audits of risk levels, configured on the basis of the operational powers on the total financial portfolio attributed by the Board of Directors and relayed to the Market Deputy General Manager. This system provides for a limit on the nominal value of the net cash position of the proprietary financial portfolio and a risk limit on the level of capital absorbed by proprietary trading activities entered in connection with the financial portfolio, and also envisages methods of intervening if any limits are exceeded.

For calculation of market risks and assessment of the limits, the Bank uses a combination of different methods:

- a Value at Risk model (VaR) with a parameter approach, for the generic risk on bond securities and for the position risk on shares and units of UCIT (with reference to the trading book only);
- the standard Supervisory model, the algorithms of which have been reproduced using computer tools and used for daily managerial processing, for the specific risk on bond securities and the risks of the non-trading securities book (banking book securities).

Consequently, the equity component of the trading book is subject only to the VaR limits, while the bond component is subject to the VaR limits for generic risk and to the pre-existing limits, defined on the basis of the standard Regulatory models, for the specific risk.

The VaR calculation is based on a time horizon of 10 business days, a confidence interval of 99%, and a depth of the historical series for the volatilities and correlations of 150 business days¹.

As is typical of a parametric variance-covariance approach, the aggregation of the positions for the purpose of the portfolio VaR calculation is based on the use of the correlation matrix, thus taking into account the correlation of each risk factor with all the others. The risk factors considered are the nodes of the interest rate curve, the single equity securities of the main European stock markets, the stock market indices for the remaining global markets, the individual investment funds and exchange rates.

During the course of 2010, the VaR model underwent profound changes, which are currently in the process of being finalised, through the introduction of a historical simulation approach.

No internal models are used to calculate the capital requirements, as the standard model is used for this purpose.

Banking Book

The interest rate risk on the banking book is dependent on misalignments of the maturity or repricing dates between assets and liabilities which, in the event of rate fluctuations, influence the amount of expected net interest income and the current value of the assets. In order to monitor these risks, the Bank established some time ago an Asset & Liability Management (ALM) system consisting of a set of processes, methods and techniques developed to measure, monitor and manage in an integrated manner the stocks and cash flows generated by its business. The benchmark for calculating the risk indicator and the level of supervisory limits and thresholds is measured in terms of sensitivity of the economic value with respect to a parallel shift of the interest rate curve of ± 200 bps, in relation to regulatory capital. In particular, the change in economic value generated by the adverse scenario alone is considered: then the upward or downward shift scenario is used, choosing the one which generates a reduction in value. Through the earnings model, the impact on net interest income is also determined, following the upward and downward shift of the interest rate curve, in this case ± 100 bps.

The main objective is to facilitate integrated and strategic macro-management of asset and liability accounting items and off-balance-sheet instruments. In this context, a coherent organisational structure was developed with the ALM and Risk Management Unit and the specific ALM Committee. The Group has adopted an Interest Rate Risk Policy, including a system of supervisory limits/thresholds in keeping with the nature and complexity of the work done, also in relation to the risk inherent in new products and types of activity.

Exchange Rate Risks

Exchange rate risk consists of the possibility that adverse fluctuations in the exchange rate between foreign currencies and the euro will produce negative economic effects on assets and liabilities expressed in other currencies. This risk applies to the Group's entire balance sheet, thus including both the trading book and the banking book. The main sources of exchange rate risk are represented by

¹ Volatilities are calculated with the method of the exponentially weighted moving average, applying a decay factor of 0.94

short term transactions in foreign currency carried out by commercial customers and by short-term own account transactions of the Bank's Forex desk, carried out through spot currency trading, options and forward contracts. Support for customers is provided by the customer desk, which offers option-based exchange rate risk hedging transactions, offset by the Bank through micro hedging with institutional counterparties. As for the risk of the trading book position, for the calculation of the exchange risk on the overall position in foreign currency the VaR model is also used, with a confidence interval of 99% and a holding period of 10 days. During 2010, exchange rate risk was always fully compatible with the level of existing operational powers.

Liquidity Risks

Liquidity risks are typically defined as risks of default on one's own payment commitments. Making reference to internationally agreed definitions, there is a distinction between funding liquidity risk and market liquidity risk. Funding liquidity risk means the risk of the Group being unable to deal efficiently with its expected or unexpected, current or future cash outflows, and with its needs for collateral, without jeopardising the daily business or the financial situation of the Group itself. Market liquidity risk means the risk of the Group being unable to liquidate a financial asset without incurring capital account losses owing to lack of liquidity or disorder in the reference market. This risk is usually considered a type of market risk (price risk).

The processes and regulations which are intended to measure, control and mitigate the liquidity risk of the Group are focused on funding risk.

The model of governance of the Bank is based on the centralised management of liquidity. The parent company, Banca delle Marche:

is responsible for liquidity policy,

manages funding,

manages liquidity risk,

for the entire Group.

On the basis of this model, and in order to comply with the New Regulations for Prudential Supervision (the new Basel 2 Capital Accord, issued by the Bank of Italy in December 2006), during 2007 the Bank completed its work on implementing the liquidity risk monitoring and management system.

This work consisted of defining a policy document ("**Liquidity Policy Handbook**") containing guidelines for the management of the Group Liquidity Risk and describing the instruments for monitoring and reporting the operational limits, the counterbalancing capacity and structural liquidity (supervisory and fund planning thresholds) and included the definition of an action plan for the management of liquidity in conditions of stress or crisis (the Contingency Plan), deriving both from market factors and from factors within the Group.

Over the course of 2010, the liquidity gap on the time horizon of the maturity ladder (6 months) was - 65 million euro on average, while over the course of 2009 it amounted to -134 million euro.

On average, during the year, the liquidity gap at one and at two days was positive by more than 1.250 million euro, testifying to an excess of liquidity reserves with respect to the net predicted short term incoming and outgoing flows. The gap at one month was also positive, for an average of 769 million euro over the year.

In the first half of 2010, the improvement in the liquidity profile derived from the issuance of a 650 million bond on the euro market. The liquidity profile in the second half of 2010 shows a short transition period in which the securitisation transaction Marche Mutui 3 was redeemed early in May and subsequently replaced by a covered bond completed in the month of July. The whole liquidity profile in the following months reflects the trends in commercial flows.

Operational Risks

Operational risk is the risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risk includes legal risk, while strategic and reputational risks are not included. This risk relates to the entire banking and financial business of the Group companies.

The Group has defined the overall framework for the management of operational risks assigning specific roles and responsibilities, issuing specific in-house rules and defining organisational processes for assessment and measurement, management, control and mitigation. The Risk Monitoring Committee is the main body undertaking the work of analysis, measurement, monitoring and mitigation of operational risks. This body has the task of implementing the guidelines deriving from the decisions taken by the Board of Directors in terms of the management and control of these risks, assuring the focus and coordination of the main actions.

The responsibility for activities relating to the operational risk management system is assigned to the unit responsible for Risk Management at the central level for all the Group companies.

The model adopted provides for decentralised responsibilities at all the Group's structures in order to collect and survey operational loss events and in order to prospectively assess the relevant scenarios.

The Bank and the Group companies, for the purposes of calculating the capital requirements, amongst other reasons, have adopted adequate internal controls and an effective operational risk management system, as well as the corporate governance mechanisms provided for in the Supervisory Regulations.

In accordance with the regulatory prescriptions, the management system provides for clearly assigned responsibilities and envisages the characteristic features laid down by the Supervisory Authorities:

- classification of activities by business lines;

- a system of loss data collection and storage (LDC);

- assessment of exposure to operational risks (RSA);

- a reporting system.

The Group has adopted a traditional policy for operational risk management by transferring operational risk through opportune insurance cover with the aim of mitigating the impact deriving

from any unexpected losses. The Group has also adopted a business continuity plan that defines and regulates processes, responsibilities and monitoring for the management of all initiatives aimed at containing, within acceptable levels, the damage resulting from extreme events such as accidents or catastrophes.

Regulatory capital and capital ratios

Regulatory framework

The regulatory capital is calculated on the basis of the new rules (Circular 263 of December 2006 and Circular 155 of February 2008, as amended) issued by the Bank of Italy following the new prudential regulations for banks and banking groups introduced by the New Capital Accord (known as Basel 2).

In particular, the scope of application of the regulations, with reference to Circular 263/06 (New Rules on Prudential Supervision for Banks), is mainly of a consolidated type: the prudential institutes are, in fact, reduced with reference to the individual components of the Group, so as to guarantee the neutrality of the prudential rules with respect to the organisational decisions of the intermediaries.

The Group on a consolidated basis is subject to the rules relating to regulatory capital, comprehensive capital, assessment of the suitability of internal capital and risk concentration.

For the purpose of calculating consolidated regulatory capital, the companies included in the scope of consolidation of the Group are those complying with the above rules.

Banking Regulatory Capital

Qualitative information

The consolidated regulatory capital consists of the sum of Tier 1 capital and Tier 2 capital net of deductions, and at 31 December 2010 it stood at 1,697.555 million euro, of which Tier 1 capital of 1,170.883 million euro and Tier 2 capital of 526.672 million euro.

Regulatory capital increased by 45.466 million as compared with the end of 2009.

The Group carries out systematic monitoring of its capital adequacy, expanding and structuring monitoring pursuant to the "Second Pillar" rules, introduced by the Bank of Italy regulations.

	As at 31 December			
	2010		2009	
	Bank	Group	Bank	Group
Capital Adequacy ratios				
Tier 1 capital/Weighted risk assets (Tier 1 capital ratio)	7.76%	6.82%	8.20%	7.41%
Regulatory capital including Tier 3/Weighted risk assets (Total capital ratio)	11.29%	9.89%	11.84%	10.65%

The Regulations prescribe that the total capital requirement governed by the "First Pillar" is to be determined by adding together the amount, calculated with the standardised approach, for credit, counterparty and market risk, and the new requirement for operating risk, which together determine the two indicators of Tier 1 Capital Ratio and Total Capital Ratio, subject to the overall assessment of internal capital.

Total Internal Capital was determined by adding together the capital requirements of the "Pillar 1" risks with the internal capital of the "Pillar 2" risks, in accordance with a simplified building block approach. The Group, through the Parent Company, manages the above risks in an integrated manner and performs the function of guidance and supervision for all risks, extending this control to all the Group companies.

The following table illustrates the Tier 1, Tier 2 and total capital levels and the relative ratios of the Bank and the Group as at 31 December 2010. According to the Bank of Italy regulations, the ratios set out below in respect to the capital of the Bank and the Group have been calculated net of any dividend distributions. The Bank does not presently have any Tier 3 capital.

	As at 31 December			
	2010		2009	
	Bank <i>Amount/000</i>	Group <i>Amount/000</i>	Bank <i>Amount/000</i>	Group <i>Amount/000</i>
A. Tier 1 capital before application of prudential filters	1,138,648	1,168,273	1,121,311	1,154,057
B. Tier 1 capital prudential filters::	3,094	3,063	-5,486	-4,535
B.1 Positive IAS/IFRS prudential filters (+)	7,117	7,456	1,020	1,078
B.2 Negative IAS/IFRS prudential filters (-)	-4,023	-4,393	-6,506	-5,613
C. Tier 1 capital including disallowed elements (A+B)	1,141,742	1,171,336	1,115,825	1,149,522
D. Disallowed elements of Tier 1 capital	234	453	234	453
E. Total Tier 1 Capital (C-D)	1,141,508	1,170,883	1,115,591	1,149,069
F. Tier 2 capital before application of prudential filters	520,019	528,102	522,082	531,723
G. Tier 2 capital prudential filters:	-674	-977	-	-
G.1 Positive IAS/IFRS prudential filters (+)	-	-	-	-
G.2 Negative IAS/IFRS prudential filters (-)	-674	-977	-	-
H. Tier 2 capital including elements to be deducted (F+G)	519,345	527,125	522,082	531,723
I. Elements to be deducted from Tier 2 capital	234	453	234	453

L. . Total Tier 2 Capital (H-I)	519,111	526,672	521,848	531,270
M. Elements to be deducted from total Tier 1 and 2 Capital	-	-	26,890	28,250
N. Regulatory Capital (E+L-M)	1,660,619	1,697,555	1,610,549	1,652,089
O. Tier 3 capital	-	-	-	-
P. Regulatory capital including Tier 3 (N+O)	1,660,619	1,697,555	1,610,549	1,652,089

In accordance with the regulations of the Bank of Italy, the Bank calculates, among other things, its exposure to market risks. The following table shows the breakdown of the Bank's value at risk as at 31 December 2010 and 31 December 2009:

Category/Amount	Weighted amounts/requirements	
	31.12.2010	31.12.2009
	<i>Amount/000</i>	<i>Amount/000</i>
B. REGULATORY CAPITAL REQUIREMENTS		
B.1 Credit and counterparty risk	1,079,572	993,666
B.2 Market risks	17,108	21,173
1. Standard approach	17,108	21,173
2. Internal models	-	-
3. Concentration risk	-	-
B.3 Operational risk	79,977	73,743
1. Basic approach	-	-
2. Standardised approach	79,977	73,743
3. Advanced approach	-	-
B.4 Other prudential requirements	-	-
B.5 Other calculation elements	-	-
B.6 Total prudential requirements (B.1 + B.2 + B.3 + B.4 + B5)	1,176,657	1,088,582

Guarantees and Commitments

The Bank incurs guarantees and commitments in the ordinary course of its business, including the provision of guarantees and letters of credit. Outstanding guarantees amounted to 726.5 million euro (723 million euro as at 31 December 2009) and commitments of the Bank amounted to 1,769 million euro as at 31 December 2010 (2,182 million euro as at 31 December 2009).

Information Technology

Information technology has always been an integral part of the Bank's activities, in particular in treasury operations, general risk management, regulatory compliance programmes and commercialisation efforts.

Among the services offered by the Bank, the development of electronic distribution channels represents a very important objective in a market that has strong potential for growth. Consequently,

the Bank continues the expansion of its distribution channels in order to improve the facilities offered to customers. Currently, the distribution channels used by the Bank consist of:

ATMs;

Point of sale ("**POS**") terminals (for the retail/private customer sector);

Electronic commerce (for the retail trade/private customer sector);

Bancoticket (Automated Ticket Office);

Monetics: debit and credit cards (private customer and companies);

Internet Banking (private customers and small companies);

Remote Banking (companies);

Trading Online (private customers and companies); and

the Bancamarche.it website.

ATMs

The ATM channel is now considered a tool not only for dispensing cash, but one which can also offer new automatic services that increase its use and profitability.

As of 31 December 2010, Banca Marche had 350 ATM terminals installed (an increase of 20 compared to 31st December 2009) at which, during financial year 2010, 6,257,750 withdrawals were made (+0.6% on December 2009) for a total of around 951.6 million euro (+1.3%) and an average withdrawal of 152 euro.

In the same period, 326,100 mobile phone top-ups were made with the providers Tim, Vodafone, Wind and H3G for 10.6 million euro. A total of 5,900 payments of TV licence fees and 1,730 top-ups of Shop&Go prepaid cards were also carried out.

All the ATM devices are managed on a web-based platform, enabling the development of new features and services, the improvement of communications to customers and the implementation of microchip security updates. Some ATM terminals also allow for the depositing of cash and cheques.

Point of Sales and Electronic Commerce

In relation to the point of sale (POS) and electronic commerce sector, at the end of 2010, the number of terminals installed reached 12,786 (437 more than in December 2009). The turnover in 2010 amounted to 828 million euro (+14% over 2009), whilst in the same period, the number of transactions rose to 11.2 million (+17.1% over December 2009), as shown in the table below:

<i>(in thousands of euro)</i>	2010	2009	Change	
			Amount	%
Terminals installed	12,786	12,349	437	3.5%

Turnover (euro/1,000)	827,545	726,005	101,540	14.0%
Transactions	11,206,875	9,569,395	1,637,480	17.1%
Average POS transactions	74.59	66.15	8.44	12.8%

Transactions carried out with credit cards amounted to 4,839,002 (+19.3%), those with PagoBancomat debit cards totalled 6,367,858 (+15.4%).

The Pagovelo project which began in 2009 continued and was consolidated, with more than 200 POS terminals equipped with RFID receivers installed in order to carry out payment transactions in "contactless" mode, with MasterCard Paypass credit cards for amounts of less than 25 euro. Thanks to this service, although it is still limited only to the cities of Pesaro and Fano (but to be extended in the coming months), the Bank is one of the leading institutions actually operating in the world of contactless payments.

The Banca Marche electronic commerce service, which allows for online purchases in the simplest, most confidential and most secure way possible, thanks to the international security systems entitled "Verified by Visa" and "SecureCode Mastercard" now boasts 173 stores using the service with turnover in 2010 of 10.4 million euro (+25% compared with 2009) and 118,700 transactions authorised (+55%).

Debit and credit cards

At 31 December 2010 the amounts relating to payment cards were the following:

	2010	2009	Change	
			Amount	%
Debit cards*	218,055	219,255	-1,200	-0.6%
Credit cards	134,714	143,866	-9,152	-6.4%
Total	352,769	363,121	-10,352	-2.9%

(*) The aggregate includes the stocks of Bancomat debit cards, prepaid cards and international debit cards.

The figures show a slight drop in the stock of cards in issue (-2.9%). This was essentially due to actions to reorganise the segment, both in terms of migration (to the new chip & pin bancomat card), and for wholesale elimination of inactive revolving credit cards.

As of 31 December 2010 there were approximately 130,000 new chip & pin Bancomat cards in issue; the process of migration to this new product will be completed by the end of 2011.

The world of prepaid debit cards was more dynamic. In particular, annual growth of the "Basic Banking Service" was strong (+30%), testifying to the Bank's attention to segments of customers who prefer to approach banking services gradually, such as atypical workers and young people.

As regards credit cards, the CartaSi products with 116,471 cards in issue fell by 7.3% from the end of 2009.

Compared with financial year 2009, average spending on active cards (CartaSi circuit) rose by 3.2%, and the average number of transactions also rose (+4.6%), offsetting a reduction in the average amount of each transaction (102 euro, -1.4%), confirming, in practice, a tendency to use cards more frequently, but for transactions for amounts that are on average lower.

Bancoticket (Automated Ticket Office)

Banca Marche works in the business of advance sales of important sporting, musical and theatrical events organised in the Marche region and in neighbouring regions. The Bancoticket service – an event management system "certified" by the Tax Authority – is in operation at all branches, enabling operators to issue tickets for entry to events to both customers and non-customers.

INTERNET BANKING (Families, Businesses, Public Bodies)

Banca Marche offers its customers different types of "Remote Banking" services, structured for the different customer segments and allowing for rapid access to the Bank's information and services.

Internet banking and on-line trading services, described below, updated with all the adaptations deriving from introduction of the Payment Services Directive, are managed internally and have a positive effect in terms of a flexibility on the development of applications and the ability to offer new, customised functions to customers:

- Inbank Famiglie: developed for private customers, used mostly for informative purposes, but also popular due to its order functions; as of 31 December 2010 it had 49,720 registered users (+38% on 31st December 2009), who, during the year carried out 172,500 transactions (+37.3% over 2009) for 562 million euro (+164%);
- Inbank Imprese: a service for the management of collections and payments designed for businesses, numbers 22,700 registered users (+13.4%), with around 4,488,000 orders and 8.8 billion euro in volume (+18.8% and +9% respectively). This service is also accompanied by inbank imprese no-web, which numbers 82 registered companies for turnover of 901 million in approximately 515 thousand collection and payment orders made;
- Inbank Info: free and designed for both private and business customers, through which information can be consulted on bank accounts, which during 2010 was used by 10,660 private and 6,800 business customers;
- Inbank i Mercati a portata di Mouse: an online trading service providing transactions on the financial markets in real time and with the greatest convenience, which has 1,779 registered users, with around 50,300 orders executed and more than 606 million euro of turnover (30.7% of total trading);
- Inbank Enti Pubblici: the service made available to Public Bodies and Agencies whose treasury or cash desk service is managed by Banca Marche, which also enables the use of an electronic mandate with which the entity can digitally sign mandates and collection vouchers, with 603 Bodies/Agencies registered.

THE WEBSITE WWW.BANCAMARCHE.IT

The website www.bancamarche.it, which is an important channel for communication and interaction with customers and other parties, from the start of the year recorded around 5.3 million "hits", with a monthly average of 445,000 visits (+17.8% over the same period of 2009).

Litigation

The Bank and other members of the Group are involved in litigation in the ordinary course of their business. Neither the Bank nor any other member of the Group is currently involved in any litigation (actual or pending) which could, if adversely determined against the Bank or any member of the Group, have a material adverse effect on the financial condition or operations of the Bank or the Group, or which could otherwise be material in the context of the issue of Notes, nor is the Bank aware that any such litigation is pending or threatened.

Recent Developments and outlook for the future

The results of the first months of 2011 do not show significant differences with respect to the profit and development forecasts of the main capital aggregates expressed during operational planning.

In January 2011 the Bank subscribed and paid up the due proportion of the share capital increase in relation to the investee company SE.BA. S.p.A., of 117,767.50 euro (such capital increase had been approved by the Shareholders' Meeting of SE.BA. S.p.A. on 16 December 2010).

In relation to internal controls, in February 2011 the Board of Directors of the Bank approved the proposed Organisational and Methodological Model of the Manager Responsible.

During 2010, funding from Cassa Depositi e Prestiti (CDP) amounted to 65 million euro. In addition, during the first half of 2011 the Bank received from CDP two other grants for a total amount of about 60.3 millions euro.

As part of the Marche Covered Bond transaction completed in 2010, in May 2011, the Bank sold, without recourse and en bloc, to Marche Covered Bond S.r.l., a second performing loan portfolio deriving from residential mortgage loans amounting to about 108 million euro. The aims of this sale was to recover liquidity and to comply with the limit of 15.00% in relation to Eligible Assets included in the cover pool.

On 24 October 2011 the first extraordinary meeting was called to approve an increase of the share capital and share premium reserve from a minimum of EUR 180,677,922.70 to a maximum of EUR 212,562,262. This is to be executed separately, in accordance with Art. 2439 sect. 2 of the Italian Civil Code by 30 June 2012, through the issue of a maximum number of new ordinary shares No. 212,562,262, each with a nominal value of EUR 0.52.

On 4 August 2011 the Bank completed its first real estate transaction by establishing a real estate fund named "Fondo Conero" to which certain Bank's real estate assets have been transferred; 80 percent of the fund's units have been placed with qualified investors.

The real estate portfolio comprises 135 buildings located in the Marche region for a total value of EUR 243 million. These properties have been rented to the Bank following the transaction.

The Bank is also evaluating whether to carry out a transaction aimed at selling a portfolio of claims deriving from non-performing loans by the end of the current year 2011.

Management and Employees

Board of Directors, Chairman, Executive Committee

The Board of Directors comprises 13 members. The Board of Directors is responsible for the management of the business and activities of the Bank and has full power to do so, with the exception of such powers as have been reserved to the shareholders by law or by the Bank's by-laws. Directors are elected for three-year terms by the shareholders with the next elections taking place in April 2012. Retiring Directors are eligible for re-election. The Board of Directors elects from among its members a Chairman and two Deputy Chairmen, and may delegate its powers to one or more of its members. The Board of Directors may also elect from among its members an Executive Committee comprised of between 4 and 7 members (presently 5 members) to which the Board may delegate some of its powers. The Board of Directors also appoints the General Manager (chief executive). The Chairman of the Board of Directors legally represents the Bank vis-à-vis third parties and in judicial proceedings, and has the power to sign for, and on behalf of the Bank. The current General Manager is Massimo Bianconi who took office on 10 April 2004.

The current members of the Bank's Board of Directors are:

Name	Title	Principal outside interests relevant to the Issuer
Michele Ambrosini (*)	<i>Chairman</i>	Chairman of Medioleasing S.p.A. Lawyer, academic
Tonino Perini (*)	<i>Deputy-Chairman</i>	Deputy - Chairman of SE.DA S.p.A. Director of Medioleasing S.p.A.
Lauro Costa (*)	<i>Deputy-Chairman</i>	Deputy - Chairman of Medioleasing S.p.A. Director of Carilo S.p.A.
		Member of ABI Executive Committee and Board (since July 2008)
		Deputy - Chairman of Banca delle Marche S.p.A. Pension Fund Board of Directors
		Member of Consorzio Patti Chiari Managing Board (since march 2010)
Bruno Brusciotti (*)	<i>Director</i>	Lawyer, academic Chairman of Focus Gestioni S.p.A.
		Director of Ariston Thermo S.p.A.
		Member of MTS financial shareholders Managing Committee
		Director of Eridel S.p.A.
Giuliano Bianchi (*)	<i>Director</i>	Chairman of Macerata Chamber of Commerce Provincial Secretary of Macerata Confartigianato Imprese

		Auditor of Nuova Immobiliare Macerata S.p.A. (since October 2008)
Pio Bussolotto	<i>Director</i>	Director of Italconsult S.r.l. (since April 2009)
		Member of Padua Chamber of Commerce Board (since may 2008) and member of Padua Chamber of Commerce Council (since June 2008)
		Deputy - Chairman of Banca Infrastrutture Innovazione e Sviluppo S.p.a. (since April 2011)
		Director of Banca C.R. Firenze S.p.A. (since April 2011)
Francesco Calai	<i>Director</i>	Director of SE.BA. S.p.A.
Massimo Cremona	<i>Director</i>	Chairman of Primavera Finanziaria S.p.A. (since May 2009)
		Director of Aviva Italia Holding S.p.A. (since April 2007)
		Director of Aviva Italia S.p.A. (since April 2009)
		Director of Aviva Life S.p.A. (since April 2008)
		Director of Aviva Assicurazioni S.p.A. (since April 2008)
		Director of Aviva Assicurazioni Vita S.p.A. (since June 2008)
		Director of Aviva S.p.A. (since April 2009)
		Director of Aviva Vita S.p.A. (since April 2009)
		Director of Banca Popolare Commercio e Industria S.p.A. (since April 2011)
		Member of Blefin S.p.A. (since November 2009)
		Director of Cofide - Compagnia Finanziaria De Benedetti S.p.A. (since April 2007)
		Director of Compagnia Investimenti Brera S.r.l. (since October 2009)
		Director of Gianni Versace S.p.a. (since April 2008)
		Director of GIVI Holding S.p.a. (since April 2008)
		Director of Leonardo SGR (since April 2010)
		Chairman of Officina Etica Consulting S.r.l. (since April 2008)
		Director of Petunia S.p.A. (since April 2009)
		Director of Quaranta Immobiliare S.r.l. (since December 2007)
		Director of S.A.C.R.A. S.r.l. (since April 2009)
		Deputy - Chairman of Salchi Metalcoat S.r.l. (since April 2007)
		Director of Surveillance of Silex S.p.A. (since June 2007)
		Director of Technogym S.p.A. (since December

		2008)
		Director of Banca Network Investimenti S.p.A. (since April 2010)
		Director of Bob Singer Consulting Company S.p.A. (since February 2011)
		Chairman of Jupiter Finance S.p.A. (since November 2010)
		Chairman of Board of Auditors of Sasol Italy S.p.A. (since September 2008)
		Chairman of Board of Auditors of UBS Italia SIM S.p.A. (since April 2009)
		Chairman of Board of Auditors of Faster S.p.A. (since June 2008)
		Chairman of Board of Auditors of Luvata Italy S.r.l. (since March 2010)
		Chairman of Board of Auditors of Luvata Padua S.r.l. (since April 2008)
		Chairman of Board of Auditors of Metro Fim S.p.A. (since April 2007)
		Chairman of Board of Auditors of Rex Capital S.p.A. (since February 2008)
		Chairman of Board of Auditors of Credito Fondiario S.p.A.
		Auditor of Equita SIM S.p.A. (since March 2008)
		Auditor of Metro Dolomiti S.p.A. (since April 2007)
		Auditor of Metro Italia Cash and Carry S.p.A. (since April 2007)
		Auditor of RCS Digital S.p.A. (since April 2009)
		Auditor of RCS Periodici S.p.A. (since April 2009)
		Auditor of City Center S.p.A.
		Auditor of Editrice Segesta S.p.A.
Walter Darini	<i>Director</i>	Sole Director of FIM S.r.l. (since April 1991)
		Sole Director of Sil Fim S.r.l. (since November 2008)
		Sole Director of WD Holding S.p.A. (since May 2009)
Eliseo Di Luca	<i>Director</i>	None
Marcello Gennari	<i>Director</i>	Chartered Accountant
		Director of Pesaro Parcheggi
		Chairman of Board of Auditors of TVS S.p.A.
		Chairman of Board of Auditors of Ferri Immobiliare S.p.A.
		Auditor of Day Fin S.r.l.
		Auditor of DI.BA S.p.A.

		Auditor of Fiam Italia S.p.A.
		Auditor of Fox Petroli S.p.A.
		Auditor of Fox Petrolifera Italiana S.p.A.
		Auditor of Luxcar S.r.l.
		Auditor of Mariani & C. S.r.l.
		Auditor of Orizzonte S.r.l.
		Auditor of Stile S.r.l.
		Auditor of Tellarini S.r.l.
		Substitute Auditor of Apa Group S.p.A.
		Substitute Auditor of Autolinee F.lli Bucci Urbino Pesaro S.r.l.
Mario Volpini	<i>Director</i>	Chairman of Carilo S.p.A. (since may 2009)
		Chairman of Ascom Servizi Integrati per l'Impresa S.r.l. (since may 2008)
		Chairman of ASCOM Centro Assistenza Tecnica S.r.l. (since May 2008)
		Sole Director of ASCOM Macerata Centro Assistenza Fiscale Imprese S.r.l. (since April 2000)
		Director of Centro Italiano Analisi Sensoriale S.r.l. (since June 2006)
		Director of Coturfidi G. Monti Soc. Coop. (since April 2008)
		Deputy - Chairman of Macerata Chamber of Commerce
Germano Ercoli	<i>Director</i>	Sole Director of Eurosuole S.p.A. (since April 2009)
		Sole Director of GoldenPlast S.p.A. (since April 2005)
		Sole Director of Immobiliare Maranello S.r.l. (since February 2004)

(*) Member of the Executive Committee

The current members of the Bank's Executive Committee are:

Michele Ambrosini

Tonino Perini

Lauro Costa

Giuliano Bianchi

Bruno Brusciotti

The business address of each of the Directors is Banca delle Marche S.p.A., Centro Direzionale Fontedamo, Via Ghislieri 6, 60035 Jesi (Ancona).

Employees

The following table shows the total number of employees of the Bank and the grade and location of employees at the dates indicated.

STAFF SITUATION	December 2010	Distribution %	December 2009	Distribution %
Managers with strategic responsibilities	60	2.2%	57	2.1%
Middle Managers	952	34.1%	932	34.3%
Professionals	1,780	63.7%	1,725	63.6%
Total	2,792	100%	2,714	100%
Trainees	237		312	
Temporary staff	75		58	
Total including temporary staff	3,104		3,084	
Auxiliary staff	12		13	

Statutory Board of Auditors:

Under Italian law, the Bank is required to have a Board of Statutory Auditors (the "Board of Auditors"). The Board of Auditors has a duty to the Bank's shareholders, its creditors and to the Bank itself. The Board of Auditors acts as a body of control over the management, financial reporting, and conditions of the Bank. The Board of Auditors reviews the management of the Bank, its compliance with the law and its by-laws, ensures that the Bank's accounting records are regularly maintained, considers the consistency of balance sheets and statements of income with the accounting records of the Bank and ascertains, at least on a quarterly basis, the cash balance of the Bank.

The current members of the Statutory Auditors are:

Piero Valentini (Chairman)

Franco D'Angelo (Statutory auditor)

Marco Pierluca (Statutory auditor)

Vincenzo Alviti (Substitute auditor)

Pietro Paccapelo (Substitute auditor)

Conflict of Interest

None of the members of the Board of Directors, Board of Statutory Auditors and the principal officers of the Issuer has had or has any potential conflict of interest between their duties to the Issuer and their private interests and/or other duties.

External auditors

PricewaterhouseCoopers S.p.A. – Via Monte Rosa 91, 20149 Milan, Italy – is registered on the register of auditors kept by CONSOB pursuant to Article 161 of the Italian Decree No. 58 and is a member of ASSIREVI, the Italian association of auditing firms. PricewaterhouseCoopers S.p.A was appointed as the external auditor of the Bank pursuant to a resolution of the shareholders meeting of the Bank passed on 29 April 2004.

OVERVIEW OF ANNUAL CONSOLIDATED FINANCIAL INFORMATION RELATING TO THE ISSUER

The Issuer's audited consolidated annual financial statements as at and for the year ended 31 December 2009 (the "**2009 Annual Consolidated Financial Statements**") and as at and for the year ended 31 December 2010 (the "**2010 Annual Consolidated Financial Statements**"), in each case together with the accompanying notes and audit reports are incorporated by reference in this Base Prospectus. See "Documents Incorporated by Reference". The financial information presented below has been extracted from the 2009 Annual Consolidated Financial Statements and the 2010 Annual Consolidated Financial Statements and should be read in conjunction with these annual consolidated financial statements and information and the relevant reports (where applicable) and notes thereto.

Since 2005, the Issuer has prepared its annual consolidated financial statements in accordance with the International Financial Reporting Standards, as adopted by the European Union and as implemented under the Bank of Italy's instructions contained in Circular 262 of 22 December 2005 and related transitional regulations in Italy ("**IFRS**"). Accordingly, all of the following financial information of the Issuer incorporated by reference in this Base Prospectus has been prepared in accordance with IFRS.

The 2009 Annual Consolidated Financial Statements and the 2010 Annual Consolidated Financial Statements were audited by PricewaterhouseCoopers S.p.A..

ANNUAL AUDITED CONSOLIDATED BALANCE SHEETS

CONSOLIDATED BALANCE SHEET	31.12.2010	31.12.2009
Asset Items	Amount (EUR/000)	Amount (EUR/000)
10. Cash and cash equivalents	71,004	72,060
20. Financial assets held for trading	293,974	260,605
30. Financial assets designated at fair value through profit and loss	19,536	19,039
40. Financial assets available for sale	1,111,600	539,378
60. Due from banks	620,716	312,387
70. Loans to customers	18,795,590	17,779,402
80. Hedging derivatives	1,827	19,766
90. Fair value change of financial assets in hedged portfolios (+/-)	-1,787	-
100. Equity investments	19	358
120. Property, plant and equipment	206,484	213,654
130. Intangible assets	42,604	35,367
- of which: goodwill	2,776	2,776
140. Tax assets	254,787	234,276
a) current	137,558	153,179
b) deferred	117,229	81,097
150. Non-current assets and asset disposal groups classified as held for sale	1,623	32,308
160. Other assets	67,760	86,993
Total assets	21,485,737	19,605,593

	31.12.2010	31.12.2009
Liabilities and shareholders' equity items	Amount (EUR/000)	Amount (EUR/000)
10. Due to banks	2,805,173	1,257,068
20. Due to customers	9,090,447	8,273,033
30. Debt securities in issue	3,312,919	4,060,080
40. Financial liabilities held for trading	66,900	114,477
50. Financial liabilities designated at fair value through profit and loss	4,269,249	4,064,511
60. Hedging derivatives	20,062	45
80. Tax liabilities	122,137	122,856
a) current	107,482	109,944
b) deferred	14,655	12,912
100. Other liabilities	406,850	318,501
110. Provisions for staff termination pay	64,358	67,372
120. Provisions for risks and charges	81,214	85,166
a) provisions for pension and similar benefits	60,289	63,629
b) other provisions	20,925	21,537

140. Valuation reserves	-4,957	12,559
of which: relative to assets held for sale	-	-
170. Reserves	506,153	451,492
180. Share premiums	119,921	119,921
190. Share capital	552,662	552,662
200. Treasury shares (-)	-31,118	-2,639
210. Equity pertaining to minority interests (+/-)	14,942	13,987
220. Profit/(Loss) for the period (+/-)	88,825	94,509
Total liabilities and shareholders' equity	21,485,737	19,605,593

ANNUAL AUDITED CONSOLIDATED INCOME STATEMENTS

CONSOLIDATED INCOME STATEMENT	For the year ended	
	31 December 2010	31 December 2009
	Amount (EUR/000)	Amount (EUR/000)
10. Interest and similar income	657,283	747,330
20. Interest and similar expenses	(202,868)	(262,250)
30. Net interest income	454,415	485,080
40. Commission income	166,960	130,187
50. Commission expenses	(10,202)	(10,946)
60. Net commission income	156,758	119,691
70. Dividends and similar income	3,150	1,718
80. Net result from trading	27,802	27,809
90. Net result from hedging	593	5,738
100. Gains/(losses) from disposal or repurchase of:	10,702	7,145
a) loans and receivables	(14)	272
b) financial assets available for sale	9,358	899
d) financial liabilities	1,358	5,974
110. Net result from financial assets and liabilities designated at fair value	(5,499)	(16,627)
120. Net banking income	647,921	630,554
130. Net value adjustments/writebacks for impairment of:	(142,176)	(132,527)
a) loans and receivables	(142,172)	(132,527)
b) financial assets available for sale	(4)	-
140. Net income from financial activities	505,745	498,027
170. Net financial and insurance operating income	505,745	498,027
180. Administrative expenses:	(351,450)	(347,008)
a) staff expenses	(244,428)	(243,010)
b) other administrative expenses	(107,022)	(103,998)
190. Net provisions for risks and charges	(1,381)	(545)
200. Net value adjustments/writebacks to property, plant and equipment	(12,545)	(14,173)
210. Net value adjustments/writebacks to intangible assets	(11,676)	(10,881)
220. Other operating expenses/income	32,139	34,484
230. Operating costs	(344,913)	(338,123)
240. Gains/(Losses) on equity investments	(651)	1,077
270. Gains/(Losses) on disposal of investments	35	1,606
280. Profit/(Loss) on continuing operations before tax	160,216	162,587
290. Income taxes for the period on continuing operations	(70,175)	(66,883)
300. Profit/(Loss) on continuing operations after tax	90,041	95,704
320. Profit/(Loss) for the period	90,041	95,704
330. Profit/(Loss) for the period pertaining to minority interests	1,216	1,195
340. Profit/(Loss) for the period pertaining to the parent company	88,825	94,509

TAXATION

The following is a general summary of certain Italian and Luxembourg tax consequences of acquiring, holding and disposing of Notes. It does not purport to be a complete analysis of all tax considerations that may be relevant to the decision to purchase, own or dispose of Notes and does not purport to deal with the tax consequences applicable to all categories of prospective beneficial owners of Notes, some of which may be subject to special rules. This summary is based upon Italian and Luxembourg tax laws and/or practice in force as at the date of this Base Prospectus, which are subject to any changes in law and/or practice occurring after such date, which could be made on a retroactive basis. The Issuer will not update this summary to reflect changes in law and, if any such change occurs, the information in this summary could be superseded.

Prospective purchasers of Notes should consult their tax advisers as to the overall tax consequences of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws.

The Italian tax regime of the Notes will be modified, starting from 1 January 2012, also with reference to Notes issued before such date, as a consequence of the entry into force of the new Italian Law Decree No. 138 of 13 August 2011 (Decree No. 138), which has been converted into Law No. 148 of 14 September 2011. The following summary will therefore describe both the Italian tax regime of the Notes which is applicable until 31 December 2011 and after this date.

Italian Taxation

Italian Tax Treatment of the Notes - General

Italian Legislative Decree No. 239 of 1 April 1996, as amended and supplemented ("**Decree No. 239**"), regulates the tax treatment of interest, premiums and other income including the difference between the redemption amount and the issue price from certain securities issued, *inter alia*, by Italian resident banks (hereinafter collectively referred to as "**Interest**"). The provisions of Decree No. 239 only apply to Notes with a maturity of 18 months or more which qualify as *obbligazioni* (bonds) or *titoli similari alle obbligazioni* (securities similar to bonds) pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented ("**Decree No. 917**").

ITALIAN TAX REGIME APPLICABLE UNTIL 31 DECEMBER 2011

Taxation of Interest

Italian Resident Noteholders

Pursuant to Decree No. 239, payments of Interest relating to Notes issued by the Issuer that qualify as *obbligazioni* or *titoli similari alle obbligazioni* and having a maturity of 18 months or more are subject to a tax, referred to as *imposta sostitutiva*, levied at the rate of 12.5 per cent. (either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Notes) where an Italian resident holder of Notes is the beneficial owner of such Notes, and is:

- (a) an individual holding Notes otherwise than 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 (the "**Asset Management Option**") pursuant to Article 7 of Italian Legislative Decree No. 461 of 21 November 1997, as amended ("**Decree No. 461**"), or
- (b) a partnership (other than a *società in nome collettivo* or *società in accomandita semplice* or similar partnership) or a *de facto* partnership not carrying out commercial activities or professional associations, or
- (c) a private or public institution not carrying out commercial activities, or
- (d) an investor exempt from Italian corporate income taxation. All the above categories are classed as "net recipients".

Where the resident holders of the Notes described in (a) and (c) above 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.

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*, stockbrokers and other qualified entities resident in Italy ("**Intermediaries**" and each an "**Intermediary**") or by permanent establishments in Italy of banks or intermediaries resident outside Italy that intervene in any way in the collection of Interest or, also as transferees, in the transfers or, disposals of the Notes.

Payments of Interest in respect of Notes issued by the Issuer that fall within the definitions set out above are not subject to the 12.5 per cent. *imposta sostitutiva* if made to beneficial owners who are:

- (a) Italian resident corporations 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 referred to in Legislative Decree No. 252 of 5 December 2005 as amended ("**Decree No. 252**") and Italian resident real estate investment funds; and
- (c) Italian resident individuals holding Notes otherwise than 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 classed as "gross recipients". To ensure payment of Interest in respect of the Notes without the application of the 12.5 per cent. *imposta sostitutiva*, gross recipients must

- (a) be the beneficial owners of payments of Interest on the Notes; and
- (b) deposit the Notes together with the coupons relating to such Notes in due time directly or indirectly with an Italian authorised financial Intermediary (or permanent establishment in Italy of foreign intermediary).

Where the Notes and the relevant coupons are not deposited with an authorised Intermediary (or permanent establishment in Italy of foreign intermediary), *imposta sostitutiva* is applied and withheld:

- (a) by any Italian bank or any Italian intermediary paying Interest to the Noteholder, or
- (b) 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 taxable income for corporate income tax (“**IRES**”) purposes, currently applying at a rate of 27.5 per cent. 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**”), generally applying at a rate of 3.9 per cent. (which may be increased by each Italian Region by up to 0.92 per cent.; IRAP rate has also been increased to 4.65 per cent and 5.9 per cent by article 23(5) of Law Decree no. 98 of 6 July 2011 for the categories of companies indicated, respectively, under article 6 and article 7 of Legislative Decree No. 446 of 15 December 1997), of beneficial owners who are Italian resident corporations 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 otherwise than 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.

Italian collective investment funds and SICAVs are not subject to income tax. A substitute tax of 12.5 per cent. is levied, in certain circumstances, to distribution made by the fund or the SICAV in favour of certain categories of unitholders or shareholders upon redemption or disposal of the units (the “**Collective Investment Fund Tax**”).

Italian resident pension funds subject to the regime provided by article 17 of Decree No. 252, are subject to an 11 per cent. annual substitute 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).

Under the current regime provided by Law Decree No. 351 of 25 September 2001, as clarified by the Italian Ministry of Economics and Finance through Circular No. 47/E of 8 August 2003, payments of Interest in respect of Notes made to 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 are subject neither to substitute tax nor to any other income tax in the hands of the fund. Law Decree No. 70 of 13 May 2011 (“**Decree No. 70**”) has introduced a 7 per cent. substitute tax to be calculated on the fund’s net assets value as per 31 December 2010 and on the income accrued thereafter. Such tax will be due only by real estate investment funds existing at 31 December 2010: (i) which are not entirely participated in by one or more of the entities indicated under article 32, paragraph 3, of Law Decree No. 78, of 31 May 2010 (ii) having at least one of the participants different from those indicated under (i) holding more than 5

per cent of the fund's units and (iii) if the fund's management company passes a resolution of winding up of the same fund by 31 December 2011.

Non-Italian Resident Noteholders

Pursuant to Decree No. 239, payments of Interest in respect of Notes issued by the Issuer falling within the definitions of *obbligazioni* or *titoli similari alle obbligazioni* and having a maturity of 18 months or more set out in "Italian Resident Noteholders" above will not be subject to *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; and
- (b) such beneficial owners are resident, for tax purposes, in a country which recognises the Italian tax authorities' right to an adequate 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 met or complied with in due time.

The 12.5 per cent. *imposta sostitutiva* may generally be reduced under certain applicable 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 *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 resident in countries which allow for an adequate exchange of information with Italy; and (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State.

To ensure payment of Interest in respect of the Notes without the application of 12.5 per cent. *imposta sostitutiva*, non-Italian resident investors indicated above must:

- (a) be the beneficial owners of payments of Interest on the Notes;
- (b) deposit the Notes in due time together with the coupons relating to such Notes directly or indirectly with an Intermediary, or a permanent establishment in Italy of a non-Italian bank or financial intermediary, or with a non-Italian resident operator participating in a centralised securities management system which is in contact via computer with the Ministry of Economy and Finance; and
- (c) file in due time with the relevant depository a declaration (*autocertificazione*) stating, *inter alia*, that he or she is a resident, for tax purposes, of a State named in the 'white list' of the Italian Ministerial Decree dated 4 September 1996, as amended from time to time, or, as from the fiscal year in which the decree pursuant to article 168-*bis* of Decree No. 917 is effective, of a State or territory that is included in the list of States allowing an adequate exchange of information with the Italian tax authorities. Such declaration (*autocertificazione*) which must comply with the requirements set forth by a Decree of the Ministry for the 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. The declaration

(*autocertificazione*) is not required for non-Italian resident investors that are international entities and organisations established in accordance with international agreements ratified in Italy and Central Banks or entities which manage, *inter alia*, the official reserves of a foreign state.

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

Fungible issues

Pursuant to Article 11, paragraph 2 of Decree 239, where the Issuer issues a new Tranche forming part of a single series with a previous Tranche, for the purposes of calculating the amount of Interest subject to *imposta sostitutiva*, the issue price of the new Tranche will be deemed to be the same amount as the issue price of the original Tranche. This rule applies where (a) the new Tranche is issued within 12 months from the issue date of the previous Tranche and (b) the difference between the issue price of the new Tranche and that of the original Tranche does not exceed 1 per cent. multiplied by the number of years of the duration of the Notes.

Early Redemption

Notwithstanding the above provisions, Notes issued by the Issuer which fall within the definitions set out above in "Italian Resident Noteholders" and which are redeemed within 18 months from the date of issue, are subject to an additional amount of tax due from the Issuer at a rate of 20 per cent., in respect of Interest and premium (if any) accrued on the Notes up to the date of the early redemption, pursuant to Article 26, paragraph 1, of Presidential Decree No. 600 of 29 September 1973 as amended ("**Decree No. 600**"). According to one interpretation of Italian tax law, the above 20 per cent. additional amount may also be due in the event of any purchase by the Issuer of Notes which are subsequently cancelled prior to 18 months from the date of issue.

Notes with an Original Maturity of less than 18 Months

Pursuant to Article 26 of Decree No. 600, interest and other proceeds on Notes issued by the Issuer that qualify as *obbligazioni* (bonds) or *titoli similari alle obbligazioni* (securities similar to bonds) pursuant to Article 44 of Decree No. 917 with an original maturity of less than 18 months, are subject to withholding tax levied at a rate of 27 per cent.

Where the Noteholder is (i) an Italian resident individual carrying on a commercial activity, as to Notes connected to the commercial activity carried out, (ii) an Italian resident corporation 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 operates as an interim tax payment subject to final assessment. In all other cases, the withholding tax is a final tax payment.

In the case of non-Italian resident Noteholders, the 27 per cent. withholding tax may be reduced under certain applicable double tax treaties entered into by Italy, if favourable, subject to timely filing of required documentation.

Notes Classified as Atypical Securities

Interest payments relating to Notes that are not deemed to fall within the category of *obbligazioni* (bonds) or *titoli similari alle obbligazioni* (securities similar to bonds) pursuant to Article 44 of Decree No. 917, may be subject to withholding tax levied at a rate of 27 per cent. (final or on account depending on the "status" and tax residence of the Noteholder). Pursuant to Article 44 of Decree No. 917, for securities to qualify as *titoli similari alle obbligazioni* (securities similar to bonds), they must i) incorporate an unconditional obligation to pay at maturity an amount not less than that therein indicated and ii) attribute to the holders no direct or indirect right to control or participate in the management of the Issuer.

Where the Noteholder is a non-Italian resident, the 27 per cent., withholding tax may be reduced under the provisions of double taxation treaties entered into by Italy, subject to timely filing of required documentation.

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 activity to which the Notes are connected, on any sale or transfer for consideration of the Notes or redemption thereof. In respect of the application of *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the standard regime for taxation of capital gains realised by Italian resident individuals not engaged in entrepreneurial activities, the 12.5 per cent. *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any relevant incurred capital losses, realised by the Italian resident individuals not engaged in entrepreneurial activities pursuant to all investment transactions carried out during any given tax year. The capital gains realised in a year, net of any relevant incurred capital losses must be detailed, in the relevant annual tax return to be filed with Italian tax authorities and *imposta sostitutiva* must be paid on such capital gains by Italian resident individuals together with any balance income tax due for the relevant tax year. Capital losses in excess of capital gains may be carried forward against capital gains of the same kind for up to the fourth subsequent tax year.

Alternatively, Noteholders who are Italian resident individuals not engaged in entrepreneurial activities to which the Notes are connected, may elect to pay *imposta sostitutiva* separately on capital gains realised on each sale or transfer or redemption of the Notes (*risparmio amministrato* regime). Such separate taxation of capital gains is allowed, subject to:

- (i) the Notes being deposited with an Intermediary; and
- (ii) an express election for the *risparmio amministrato* regime being made in writing in due time by the relevant Noteholder.

The Intermediary is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale, transfer or redemption of the Notes, as well as on capital gains realised as at revocation of its mandate, net of any relevant incurred capital losses, and is required to pay the

relevant amount to the Italian tax authorities on behalf of the Noteholder, deducting a corresponding amount from proceeds to be credited to the Noteholder. Where a sale, transfer or redemption of the Notes results in a capital loss, the Intermediary is entitled to deduct such loss from capital gains subsequently realised on assets held by the Noteholder, within the same relationship of deposit in the same tax year or in the four succeeding tax years. Under the *risparmio amministrato* regime, the realised capital gain is not required to be included in the annual income tax return of the Noteholder and the Noteholder remains anonymous.

Any capital gains on Notes held by Italian resident individuals holding the Notes other than in connection with an entrepreneurial activity and who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the Asset Management Option will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 12.5 per cent. Asset Management Tax, to be paid by the managing authorised intermediary. Under the Asset Management Option, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the Asset Management Option, the Noteholder is not required to declare the capital gains realised in the annual tax return 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, and subsequent distributions in favour of unitholders or shareholders may be subject to the Collective Investment Fund Tax at the relevant applicable rate.

Under the current regime provided by Law Decree No. 351 of 25 September 2001, 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 are subject neither to substitute tax at the fund level nor to any other income tax in the hands of the fund. Decree No. 70 has introduced a 7 per cent. substitute tax to be calculated on the fund's net assets value as per 31 December 2010 and on the income accrued thereafter. Such tax will be due only by real estate investment funds existing at 31 December 2010: (i) which are not entirely participated in by one or more of the entities indicated under article 32, paragraph 3, of Law Decree No. 78, of 31 May 2010 (ii) having at least one of the participants different from those indicated under (i) holding more than 5 per cent of the fund's units and (iii) if the fund's management company passes a resolution of winding up of the same fund by 31 December 2011.

Any capital gains realised by a Noteholder who is an Italian resident pension fund subject to the regime provided by article 17 of Decree No. 252, will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 11 per cent. annual substitute tax.

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 and by Italian resident individual engaged in an entrepreneurial activity 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.

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, any capital gains realised by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected through the sale or redemption of the Notes are exempt from taxation in Italy to the extent that the Notes are listed on a regulated market in Italy or abroad, and in certain cases subject to timely filing of required documentation (in the form of a declaration (*autocertificazione*) of non-residence in Italy) 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 listed on a regulated market in Italy or abroad:

- (a) Pursuant to the provisions of Decree No. 461, non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected are exempt from *imposta sostitutiva* in Italy on any capital gains realised upon sale for consideration or redemption of the Notes if they are resident for tax purposes of a 'white list' State listed in the Italian Ministerial Decree dated 4 September 1996, as amended from time to time, or, as from the fiscal year in which the decree pursuant to article 168-*bis* of Presidential Decree of 22 December 1996, No 917 is effective, of a State or territory that is included in the list of States allowing an adequate exchange of information with the Italian tax authorities.

Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the *risparmio amministrato* regime or the Asset Management Option, exemption from Italian capital gains tax will apply upon condition that they file in time with the authorised financial intermediary an appropriate declaration (*autocertificazione*) stating that they meet the requirement indicated above. The same exemption applies in case the beneficial owners of the Notes are (i) international entities or organisations established in accordance with international agreements ratified by Italy; (ii) certain foreign institutional investors established in countries which allow for an adequate exchange of information with Italy; or (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State.

- (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, provided 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 elect for the *risparmio amministrato* regime or the Asset Management Option, exemption from Italian capital gains tax will apply upon condition that they file in due time with the authorised financial intermediary appropriate documents which include, *inter*

alia, a statement from the competent tax authorities of the country of residence of the non-Italian residents.

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 note-holders 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.

ITALIAN TAX REGIME APPLICABLE AFTER 1 JANUARY 2012

Taxation of Interest

Italian Resident Noteholders

Pursuant to Decree No. 239, payments of Interest relating to Notes issued by the Issuer that qualify as *obbligazioni* or *titoli similari alle obbligazioni* are subject to *imposta sostitutiva*, levied at the rate of 20 per cent. (either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Notes) where an Italian resident holder of Notes is the beneficial owner of such Notes, and is:

- a. an individual holding Notes otherwise than 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 Asset Management Option, or
- b. a partnership (other than a *società in nome collettivo* or *società in accomandita semplice* or similar partnership) or a *de facto* partnership not carrying out commercial activities or professional associations, or
- c. a private or public institution not carrying out commercial activities, or
- d. an investor exempt from Italian corporate income taxation.

Where the resident holders of the Notes described in (a) and (c) above 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.

Pursuant to Decree No. 239, the 20 per cent. *imposta sostitutiva* is applied by the Intermediaries or by permanent establishments in Italy of banks or intermediaries resident outside Italy that intervene in any way in the collection of Interest or, also as transferees, in the transfers or, disposals of the Notes.

Payments of Interest in respect of Notes issued by the Issuer that fall within the definitions set out above are not subject to the 20 per cent. *imposta sostitutiva* if made to beneficial owners who are:

- a. Italian resident corporations 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 referred to in Legislative Decree No. 252 and Italian resident real estate investment funds; and

- c. Italian resident individuals holding Notes otherwise than 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.

To ensure payment of Interest in respect of the Notes without the application of the 20 per cent. *imposta sostitutiva*, gross recipients must:

- a. be the beneficial owners of payments of Interest on the Notes; and
- b. deposit the Notes together with the coupons relating to such Notes in due time directly or indirectly with an Italian authorised financial Intermediary (or permanent establishment in Italy of foreign intermediary).

Where the Notes and the relevant coupons are not deposited with an authorised Intermediary (or permanent establishment in Italy of foreign intermediary), *imposta sostitutiva* is applied and withheld:

- a. by any Italian bank or any Italian intermediary paying Interest to the Noteholder, or
- b. 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 taxable income for IRES purposes, currently applying at a rate of 27.5 per cent. and in certain circumstances, depending on the "status" of the Noteholder, also in the net value of production for purposes of IRAP, generally applying at a rate of 3.9 per cent. (which may be increased by each Italian Region by up to 0.92 per cent.; IRAP rate has also been increased to 4.65 per cent and 5.9 per cent by article 23(5) of Law Decree no. 98 of 6 July 2011 for the categories of companies indicated, respectively, under article 6 and article 7 of Legislative Decree No. 446 of 15 December 1997), of beneficial owners who are Italian resident corporations 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 otherwise than in connection with entrepreneurial activity who have opted for the Asset Management Option are subject to a 20 per cent. 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.

Italian collective investment funds and SICAVs are not subject to income tax. A substitute tax of 20 per cent. is levied, in certain circumstances, to distribution made by the fund or the SICAV in favour of certain categories of unitholders or shareholders upon redemption or disposal of the units.

Italian resident pension funds subject to the regime provided by article 17 of Decree No. 252, are subject to an 11 per cent. annual substitute 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).

Under the current regime provided by Law Decree No. 351 of 25 September 2001, as clarified by the Italian Ministry of Economics and Finance through Circular No. 47/E of 8 August 2003, payments of

Interest in respect of Notes made to 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 are subject neither to substitute tax nor to any other income tax in the hands of the fund. Decree No. 70 has introduced a 7 per cent. substitute tax to be calculated on the fund's net assets value as per 31 December 2010 and on the income accrued thereafter. Such tax will be due only by real estate investment funds existing at 31 December 2010: (i) which are not entirely participated in by one or more of the entities indicated under article 32, paragraph 3, of Law Decree No. 78, of 31 May 2010 (ii) having at least one of the participants different from those indicated under (i) holding more than 5 per cent of the fund's units and (iii) if the fund's management company passes a resolution of winding up of the same fund by 31 December 2011.

Non-Italian Resident Noteholders

Pursuant to Decree No. 239, payments of Interest in respect of Notes issued by the Issuer falling within the definitions of *obbligazioni* or *titoli similari alle obbligazioni* will not be subject to *imposta sostitutiva* at the rate of 20 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; and
- b. such beneficial owners are resident, for tax purposes, in a country which recognises the Italian tax authorities' right to an adequate 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 met or complied with in due time.

The 20 per cent. *imposta sostitutiva* may generally be reduced under certain applicable 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 *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 resident in countries which allow for an adequate exchange of information with Italy; and (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State.

To ensure payment of Interest in respect of the Notes without the application of 20 per cent. *imposta sostitutiva*, non-Italian resident investors indicated above must:

- a. be the beneficial owners of payments of Interest on the Notes;
- b. deposit the Notes in due time together with the coupons relating to such Notes directly or indirectly with an Intermediary, or a permanent establishment in Italy of a non-Italian bank or financial intermediary, or with a non-Italian resident operator participating in a centralised securities management system which is in contact via computer with the Ministry of Economy and Finance; and
- c. file in due time with the relevant depository a declaration (*autocertificazione*) stating, *inter alia*, that he or she is a resident, for tax purposes, of a State named in the 'white list' of the Italian

Ministerial Decree dated 4 September 1996, as amended from time to time, or, as from the fiscal year in which the decree pursuant to article 168-*bis* of Decree No. 917 is effective, of a State or territory that is included in the list of States allowing an adequate exchange of information with the Italian tax authorities. Such declaration (*autocertificazione*) which must comply with the requirements set forth by a Decree of the Ministry for the 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. The declaration (*autocertificazione*) is not required for non-Italian resident investors that are international entities and organisations established in accordance with international agreements ratified in Italy and Central Banks or entities which manage, *inter alia*, the official reserves of a foreign state.

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

Fungible issues

Pursuant to Article 11, paragraph 2 of Decree 239, where the Issuer issues a new Tranche forming part of a single series with a previous Tranche, for the purposes of calculating the amount of Interest subject to *imposta sostitutiva*, the issue price of the new Tranche will be deemed to be the same amount as the issue price of the original Tranche. This rule applies where (a) the new Tranche is issued within 12 months from the issue date of the previous Tranche and (b) the difference between the issue price of the new Tranche and that of the original Tranche does not exceed 1 per cent. multiplied by the number of years of the duration of the Notes.

Notes Classified as Atypical Securities

Interest payments relating to Notes that are not deemed to fall within the category of *obbligazioni* (bonds) or *titoli similari alle obbligazioni* (securities similar to bonds) pursuant to Article 44 of Decree No. 917, may be subject to withholding tax levied at a rate of 20 per cent. (final or on account depending on the "status" and tax residence of the Noteholder). Pursuant to Article 44 of Decree No. 917, for securities to qualify as *titoli similari alle obbligazioni* (securities similar to bonds), they must i) incorporate an unconditional obligation to pay at maturity an amount not less than that therein indicated and ii) attribute to the holders no direct or indirect right to control or participate in the management of the Issuer.

Where the Noteholder is a non-Italian resident, the 20 per cent., withholding tax may be reduced under the provisions of double taxation treaties entered into by Italy, subject to timely filing of required documentation.

Capital Gains Tax

Italian resident Noteholders

Pursuant to Decree No. 461, a 20 per cent. capital gains tax (referred to as "*imposta sostitutiva*") is applicable to capital gains realised by Italian resident individuals not engaged in entrepreneurial activity to which the Notes are connected, on any sale or transfer for consideration of the Notes or

redemption thereof. In respect of the application of *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the standard regime for taxation of capital gains realised by Italian resident individuals not engaged in entrepreneurial activities, the 20 per cent. *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any relevant incurred capital losses, realised by the Italian resident individuals not engaged in entrepreneurial activities pursuant to all investment transactions carried out during any given tax year. The capital gains realised in a year, net of any relevant incurred capital losses must be detailed, in the relevant annual tax return to be filed with Italian tax authorities and *imposta sostitutiva* must be paid on such capital gains by Italian resident individuals together with any balance income tax due for the relevant tax year. Capital losses in excess of capital gains may be carried forward against capital gains of the same kind for up to the fourth subsequent tax year. Capital losses realised before 1 January 2012 may be carried forward to be offset against subsequent capital gains of the same nature for an overall amount of 62.5 per cent. of the relevant capital losses.

Alternatively, Noteholders who are Italian resident individuals not engaged in entrepreneurial activities to which the Notes are connected, may elect to pay *imposta sostitutiva* separately on capital gains realised on each sale or transfer or redemption of the Notes (*risparmio amministrato regime*). Such separate taxation of capital gains is allowed, subject to:

- (iii) (i) the Notes being deposited with an Intermediary; and
- (iv) (ii) an express election for the *risparmio amministrato* regime being made in writing in due time by the relevant Noteholder.

The Intermediary is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale, transfer or redemption of the Notes, as well as on capital gains realised as at revocation of its mandate, net of any relevant incurred capital losses, and is required to pay the relevant amount to the Italian tax authorities on behalf of the Noteholder, deducting a corresponding amount from proceeds to be credited to the Noteholder. Where a sale, transfer or redemption of the Notes results in a capital loss, the Intermediary is entitled to deduct such loss from capital gains subsequently realised on assets held by the Noteholder, within the same relationship of deposit in the same tax year or in the four succeeding tax years. Capital losses realised before 1 January 2012 may be carried forward to be offset against subsequent capital gains of the same nature for an overall amount of 62.5 per cent. of the relevant capital losses. Under the *risparmio amministrato* regime, the realised capital gain is not required to be included in the annual income tax return of the Noteholder and the Noteholder remains anonymous.

Any capital gains on Notes held by Italian resident individuals holding the Notes other than in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the Asset Management Option will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 20 per cent. Asset Management Tax, to be paid by the managing authorised intermediary. Under the Asset Management Option, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Depreciation of the management assets accrued as at 1 January 2012 may be carried forward to be offset against subsequent increase of

value for an overall amount of 62.5 per cent. of the relevant depreciation. Under the Asset Management Option, the Noteholder is not required to declare the capital gains realised in the annual tax return 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, and subsequent distributions in favour of unitholders or shareholders may be subject to the Collective Investment Fund Tax at the relevant applicable rate.

Under the current regime provided by Law Decree No. 351 of 25 September 2001, 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 are subject neither to substitute tax at the fund level nor to any other income tax in the hands of the fund. Decree No. 70 has introduced a 7 per cent. substitute tax to be calculated on the fund's net assets value as per 31 December 2010 and on the income accrued thereafter. Such tax will be due only by real estate investment funds existing at 31 December 2010: (i) which are not entirely participated in by one or more of the entities indicated under article 32, paragraph 3, of Law Decree No. 78, of 31 May 2010 (ii) having at least one of the participants different from those indicated under (i) holding more than 5 per cent of the fund's units and (iii) if the fund's management company passes a resolution of winding up of the same fund by 31 December 2011.

Any capital gains realised by a Noteholder who is an Italian resident pension fund subject to the regime provided by article 17 of Decree No. 252, will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 11 per cent. annual substitute tax.

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 and by Italian resident individual engaged in an entrepreneurial activity 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.

Non-Italian resident Noteholders

The 20 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, any capital gains realised by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected through the sale or redemption of the Notes are exempt from taxation in Italy to the extent that the Notes are listed on a regulated market in Italy or abroad, and in certain cases subject to timely filing of required documentation (in the form of a declaration (*autocertificazione*) of non-residence in Italy) 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 listed on a regulated market in Italy or abroad:

- a. Pursuant to the provisions of Decree No. 461, non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected are exempt from *imposta sostitutiva* in Italy on any capital gains realised upon sale for consideration or redemption of the Notes if they are resident for tax purposes of a 'white list' State listed in the Italian Ministerial Decree dated 4 September 1996, as amended from time to time, or, as from the fiscal year in which the decree pursuant to article 168-*bis* of Presidential Decree of 22 December 1996, No 917 is effective, of a State or territory that is included in the list of States allowing an adequate exchange of information with the Italian tax authorities.
- b. Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the *risparmio amministrato* regime or the Asset Management Option, exemption from Italian capital gains tax will apply upon condition that they file in time with the authorised financial intermediary an appropriate declaration (*autocertificazione*) stating that they meet the requirement indicated above. The same exemption applies in case the beneficial owners of the Notes are (i) international entities or organisations established in accordance with international agreements ratified by Italy; (ii) certain foreign institutional investors established in countries which allow for an adequate exchange of information with Italy; or (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State.
- c. 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, provided 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 elect for the *risparmio amministrato* regime or the Asset Management Option, exemption from Italian capital gains tax will apply upon condition that they file in due time with the authorised financial intermediary appropriate documents which include, *inter alia*, a statement from the competent tax authorities of the country of residence of the non-Italian residents.

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 note-holders 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 Tax

Inheritance and gift tax would be payable on the transfer of the Notes by reason of death or donation, at the following rates:

- (a) 4 per cent. if the transfer is made to spouses and direct descendants or ancestors; in this case, the transfer is subject to tax on the value exceeding Euro 1,000,000 (per beneficiary);
- (b) 6 per cent. if the transfer is made to brothers and sisters; in this case, the transfer is subject to the tax on the value exceeding Euro 100,000 (per beneficiary);

- (c) 6 per cent. if the transfer is made to relatives up to the fourth degree, to persons related by direct affinity as well as to persons related by collateral affinity up to the third degree; and
- (d) 8 per cent. in all other cases.

If the transfer is made in favour of persons with severe disabilities, the tax applies on the value exceeding Euro 1,500,000.

Transfer Tax

According to Law Decree 31 December 2007, No. 248, as amended by Law Decree 28 February 2008, No. 30, transfer tax previously payable on the transfer of Notes generally has been abolished.

Luxembourg Taxation

The information contained within this section is limited to withholding tax issues and prospective investors should not apply any information set out below to other areas under Luxembourg, including (but not limited to) the legality of transactions involving the Notes.

All payments of interest and principal by the Issuer under the Notes can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with applicable Luxembourg laws, subject however to:

- (i) application of the Luxembourg Law of 21 June 2005 implementing Council Directive 2003/48/EC on taxation of savings income (the "**EU Savings Directive**") (see "- EU Savings Directive" below), which may be applicable in the event of the Issuer appointing a paying agent in Luxembourg within the meaning of the above-mentioned Directive).
- (ii) the application as regards Luxembourg resident individuals of the Luxembourg law of 23 December 2005 which has introduced a 10 per cent. final withholding tax on savings income (i.e. with certain exemptions, savings income within the meaning of the Luxembourg law of 21 June 2005 implementing the EU Savings Directive). This law should apply to savings income accrued as from 1 July 2005 and paid as from 1 January 2006.

The current withholding tax is 35%.

Responsibility for the withholding of tax in application of the above-mentioned laws is assumed by the Luxembourg paying agent within the meaning of these laws and not by the Issuer.

European Savings Directive

Under the EU Savings Directive, each Member State is required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating 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).

Also with effect from 1 July 2005, a number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual residual in one of those territories.

Implementation in Italy

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of 18 April 2005 ("**Decree No. 84**"). Decree No. 84 applies to payments of interest made by paying agents established in Italy to beneficial owners who are individuals resident in a different EU Member State or in a dependent or associated territory under the relevant international agreement (currently Jersey, Guernsey, Isle of Man, Netherlands Antilles, British Virgin Islands, Turks and Caicos, Cayman Islands, Montserrat, Anguilla, Aruba). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid starting from 1 July 2005 (including the case of interest accrued on the Notes at the time of their disposal) to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian paying agents *i.e.* banks, SIMs, fiduciary companies, SGRs resident for tax purposes in Italy, permanent establishments in Italy of non-resident persons and any other economic operator resident for tax purposes in Italy paying interest for professional or commercial reasons shall report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner, namely: identity and residence of the beneficial owner; name and address of the paying agent; account number of the beneficial owner or, otherwise, information of the debt claim giving rise to the interest payment and amount of interest paid.

Such information is transmitted by the Italian tax authorities to the competent foreign tax authorities of the State of residence of the beneficial owner. In certain circumstances, the same reporting requirements must be complied with also in respect of interest paid to certain entities established in another Member State, other than legal persons (with the exception of certain Finnish and Swedish entities), whose profits are taxed under general arrangements for business taxation and, in certain circumstance, UCITS recognised in accordance with Directive 85/611/EEC.

Companies, similar entities subject to taxation on business profits, UCITs passported under the Directive No. 85/611/EEC and non passported UCITs that have elected to be treated like passported, are excluded from the application of Decree No. 84.

Either payments of interest on the Notes or the realisation of the capitalised interest through a sale of the Notes would constitute "payments of interest" under Article 6 of the Directive and, as far as Italy is concerned, Article 2 of the Decree No. 84. Accordingly, such payment of interest arising out of the Notes falls within the scope of the Directive being the Notes issued after 1 March 2001 (see articles 15 of the Directive and article 2(5) of the Decree No. 84).

Noteholders who are individuals and receive Interest on the Notes should note that additional amounts which, at present, may become due as described in Condition 12 (Taxation) of the Terms and Conditions of the Notes should not be due in respect of withholding tax imposed under or pursuant to the Directive, or any law implementing or complying with, or introduced in order to conform to the Directive.

Implementation in Luxembourg

The EU Savings Directive was implemented in Luxembourg by the Law of 21 June 2005.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Banca IMI S.p.A., Natixis and The Royal Bank of Scotland plc (the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in a Dealer Agreement dated on or about the date hereof (the "**Dealer Agreement**") and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of the existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America: *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

The Notes have not been and will not be registered under the Securities Act and may not be offered, sold or delivered 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 United States Internal Revenue Code of 1986, as amended and regulations thereunder.

Each of the Dealers has represented and agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of its distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and that it will send to each dealer to which it sells Notes during the distribution compliance period relating thereto 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.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each of the Dealers 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 Base Prospectus as completed by the final terms in relation to 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 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 fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, 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;
- (c) at any time if the denomination per Note being offered amounts to at least €100,000; 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:

- (iii) 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
- (iv) the "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State); and
- (v) the "**2010 Amending Directive**" means Directive 2010/73/EC.

United Kingdom

Each of the Dealers has represented, warranted and agreed that:

- (a) **No deposit-taking:** in relation to any Notes having 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:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

- (B) 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 Financial Services and Markets Act 2000 (the "FSMA") by the Issuer;

- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) **General compliance:** 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.

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 Base Prospectus 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 Base Prospectus or any other document relating to the Notes in Italy 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 notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly each of the Dealers has undertaken and each further Dealer appointed under the Programme will be required to undertake that it will not offer

or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities in effect at the relevant time. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

General

Other than with respect to the admission to listing, trading and/or quotation by such one or more listing authorities, stock exchanges and/or quotation systems as may be specified in the relevant Final Terms, no action has been or will be taken in any country or 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. Persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall no longer be applicable as a result of any change, or any change in official interpretation, after the date hereof of applicable laws and regulations, but without prejudice to the obligations of the Dealers described in the preceding paragraph.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or (in any other case) in a supplement to this Base Prospectus.

GENERAL INFORMATION

Listing and admission to trading

This Base Prospectus has been approved as a base prospectus issued in compliance with the Prospectus Directive by the CSSF in its capacity as competent authority in Luxembourg for the purposes of the Prospectus Directive. Application has been made for Notes issued under the Programme to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange.

However, Notes may be issued pursuant to the Programme which will not be listed on the official list of the Luxembourg Stock Exchange or admitted to trading or quotation on the Regulated Market of the Luxembourg Stock Exchange or any other stock exchange or quotation system or which will be listed on or admitted to trading or quotation on such stock exchange or quotation system as the Issuer and the relevant Dealer(s) may agree.

The CSSF may, at the request of the Issuer, send to the competent authority of another Member State of the European Economic Area: (i) a copy of this Base Prospectus; (ii) a certificate of approval attesting that this Base Prospectus has been drawn up in accordance with the Prospectus Directive; and (iii) if so required by the competent authority of such Member State, a translation into the official language(s) of such Member State of the Summary of this Base Prospectus.

Authorisations

The update of the Programme was authorised by the Board of Directors of the Issuer on 23 November 2011. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

Conditions for determining price

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

Use of proceeds

The net proceeds of the issue of each Tranche of Notes will be applied by the Issuer for general funding purposes. If, in respect of any particular issue, a particular use of proceeds is identified, this will be specified in the applicable Final Terms.

Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series will be specified in the Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

The address of Euroclear is 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.

Litigation

Save as disclosed in this Base Prospectus at page 119, the Issuer and its subsidiaries are not or have not been involved in any governmental, legal, arbitration or administrative proceedings in the 12 months preceding the date of this document relating to claims or amounts which, may have, or have had in the recent past, a significant effect on the Issuer's financial position or profitability and, so far as the Issuer is aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

No Material Adverse Change

Since 31 December 2010 (being the last day of the financial period in respect of which the most recent audited published financial statements of the Issuer have been prepared), there has been no material adverse change in the financial condition or prospects of the Issuer or its subsidiaries.

No Significant Change

Since 31 December 2010 (being the last day of the financial period in respect of which the most recent published financial statements of the Issuer have been prepared), there has been no significant change in the financial or trading position of the Issuer.

Trend information

Since 31 December 2010 (being the last day of the financial period in respect of which the most recent audited financial statements of the Issuer have been published) there has been no material adverse change, nor any development reasonably likely to involve an adverse change, in the prospects or general affairs of the Issuer or any of its subsidiaries that is material in the context of the Programme or the issue of the Notes.

Post-issuance information

Unless otherwise required by any applicable laws or regulations, the Issuer does not intend to provide any post-issuance information in relation to any assets underlying issues of Notes constituting derivative securities.

Minimum denomination

Where Notes issued under the Programme are 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, such Notes will not have a denomination of less than €100,000 (or, where the Notes are issued in a currency other than Euro, the equivalent amount in such other currency).

Documents available for inspection and/or collection

For so long as the Programme remains in effect or any Notes are outstanding, copies of the following documents may be inspected (and, in the case of (e) and (f) below, are available for collection) during normal business hours at the registered office of the Issuer and at the specified office of the Fiscal Agent, namely:

- (a) the Agency Agreement;
- (b) the Deed of Covenant;
- (c) the Dealer Agreement;
- (d) the Programme Manual (being a manual signed for the purposes of identification by the Issuer and the Fiscal Agent, containing suggested forms and operating procedures for the Programme, including the forms of the Notes in global and definitive form);
- (e) any Final Terms relating to Notes which are listed on any stock exchange (save that Final Terms relating to Notes which are neither admitted to trading on a regulated market in the European Economic Area or offered in the European Economic Area in circumstances where a base prospectus is required to be published under the Prospectus Directive will only be available for inspection by the relevant Noteholders and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity);
- (f) this Base Prospectus and any supplement to this Base Prospectus and any other document incorporated by reference herein or therein;
- (g) the By-laws of the Issuer; and
- (h) the most recent publicly available audited annual consolidated and unconsolidated financial statements of the Issuer beginning with such financial statements as at and for the years ended 31 December 2009 and 2010.

Auditors

The auditors of the Issuer are PricewaterhouseCoopers S.p.A., independent accountants and a member of *Assirevi Associazione Italiana Revisori Contabili* (the Italian Auditors Association), issued unqualified audit opinions on the Issuer's financial statements prepared in accordance with IFRS for each of the two financial years ended on 31st December, 2009 and on 31st December, 2010.

ISSUER

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