



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).

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 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.

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

15 December 2010

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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.

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.

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.
Tax Redemption:	Except as described in "Optional Redemption" above, early redemption will only be permitted for tax reasons as described in Condition 10(b) (<i>Redemption and Purchase - Redemption for tax reasons</i>).
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 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.

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*).

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 15 December 2010, 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. **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.

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.

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.

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, Belgium, 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.

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) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

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

Interest rate risks

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

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to 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 2008 and 2009 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 2008 and 2009 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</i>		
	<i>2009</i>	<i>2008</i>
<i>Consolidated</i>		
Balance sheet	Page 28	Page 19
Income Statement	Page 29	Page 20
Statement of changes in equity	Page 30 - 31	Page 21-22
Cash flow statement	Page 32	Page 23
Accounting policies and explanatory notes	Page 35 - 199	Pages 26-204
Auditors' reports	Page 204 - 205	The 2008 Auditors' report on the consolidated financial statements are separate documents and are not included in the 2008 financial statements.
<i>Unconsolidated</i>		
Balance sheet	Page 78	Pages 68-69
Income Statement	Page 79	Page 70
Statement of changes in equity	Page 80 - 81	Pages 71-72
Cash flow statement	Page 82	Pages 73
Accounting policies and explanatory notes	Page 85 - 254	Pages 77-276
Auditors' reports	Page 273 -274	The 2008 Auditors' report on the individual financial statements are separate documents and are not included in the 2008 financial statements.

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:

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and
- (ii) 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 15 December 2010 (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 15 December 2010 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:

- (i) in relation to any sum payable in Euro, a TARGET 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 London, 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 are open for payment of bearer debt securities and for dealings in foreign currencies in:
 - (i) (a) the relevant place of presentation (if presentation is required) and (b) any Additional Financial Centre specified in the applicable Final Terms;
 - (ii) in the case of payment by transfer to an account either.
 - (B) a TARGET Settlement Day.
- (ii) if the currency of payment is not Euro, any day which is 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

- (a) *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.
- (b) *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.

- (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, Pellipar House, 1st Floor, 9 Cloak Lane, London EC4R 2RU 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 15 December 2010 [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 15 December 2010. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Base Prospectus dated 30 September 2009 [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 15 December 2010 [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]: []]
- (Insert where the issue has been specifically rated)*
- [The following ratings reflect the ratings allocated to the Notes of the type being issued under the Programme generally:
- [[Moody's]: []]
- [[Other]: []]
- (Insert where the issue has not been specifically rated)*

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 which would allow Eurosystem eligibility: [Yes][No][Not Applicable]

[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 31 December 2009 a share capital of Euro 552,661,882 and reserves of Euro 430,468,480 for a total of Euro 983,130,362.

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**”), 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 Centroatlalia, 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 2009 the Bank had 308 branches, located in the regions of Marche (224 branches), Lazio (38 branches), Umbria (13 branches), Emilia-Romagna (20 branches), Abruzzo (12 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 Marche Region.

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 2009 the Bank's non-consolidated total assets were 18,557 million euro (17,778 million euro as at 31 December 2008) and its non-consolidated shareholders equity was 1,202,252,474 euro (after the distribution of dividends for 2008). As at 31 December 2009, the Bank's issued and fully paid share capital was 552,661,881.72 euro and this was held by the following major shareholders: Fondazione Cassa di Risparmio della Provincia di Macerata (20.94 per cent.); Fondazione Cassa di Risparmio di Pesaro (20.94 per cent.); Fondazione Cassa di Risparmio di Jesi (10.03 per cent.); Intesa San Paolo (7.00 per cent.); Aviva Italia Holding S.p.A. (3.52 per cent.); Aviva Italia S.p.A. (2.49 per cent.) and Fondazione Cassa di Risparmio di Fano (2.30 per cent.). The remainder of the shares are held by a large number of private shareholders (32.60 per cent.). As at 31 December 2009, 0.18 percent. of the share capital was held in the Bank's own portfolio. The Bank's shares are not listed on any stock exchange, but instead are traded through a systematic internaliser (*internalizzatore sistematico*).

As at the date of this Base Prospectus, the following ratings were assigned to the Bank by Moody's:

Long-term: A3

The Bank is the chief operating entity and the holding company of a banking group (the “**Group**”) which was comprised, as at 31 December 2009, of the Bank and its four 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).

These four subsidiaries are fully consolidated with the Bank for the purposes of the Bank’s consolidated financial statements.

So far as the Bank is aware, it is not directly or indirectly owned or controlled by any single person or group of persons, and there are no arrangements which may at a subsequent date results in a change of control of the Bank.

Strategy

In 2009 the Bank focused its work on tackling the effects of the crisis – first financial and later economic – which had exploded in September 2008, through targeted initiatives which aimed, on the one hand, at maintaining balanced liquidity, profitability and capital assets, and on the other, at supporting the real economy in the areas in which it operates. At the same time the Bank continued the strategic initiatives identified in the 2009-2011 Industrial Plan, approved by the Board of Directors on 14 October 2008.

The objectives of the Industrial Plan, which were all focused on maintaining a sustainable income that would allow the Bank to strengthen its capital assets and enable it to support the local economy, were implemented in a period characterised by a financial crisis which caused a situation of extreme illiquidity in the markets and an equally widespread crisis of the real economy. In this context some of the strategic initiatives which had been planned were harder to implement than would otherwise have been the case. However, despite having no recourse to external aid such as the underwriting by the Republic of Italy of hybrid instruments aimed at increasing the core Tier 1 capital ratio of Italian banks (the so-called “Tremonti Bonds”), the Bank pursued its objectives successfully. Moreover, the Bank continued to propose methods of supporting businesses and individuals in the areas in which it operates.

The difficulties of the economic context described above produced marginal impacts on the capital, balance sheet and income statement of the Bank and the following strategic objectives were achieved nonetheless:

- to consolidate its capital adequacy, as shown by the Tier 1 Ratio and Total Capital Ratio indicators which present, in both cases, higher values than those seen in the previous year;
- to reinforce its financial equilibrium between funding and lending;
- to achieve an overall positive contribution to the formation of income on the part of the main core businesses, despite the fact that the deterioration of the real economy entailed the need to increase the coverage of the risk of insolvency.

The Bank consolidated its presence in its reference markets, further supporting the economy and small and medium enterprises, by proposing a revised organisational structure for its commercial network

which, integrating the 4 historical territorial areas of the Bank, provided for the introduction of 15 zones throughout the entire territory so as to strengthen its commercial presence.

With reference to liquidity, in accordance with the Bank of Italy's rules, much was achieved during 2008 thanks to the timely application of the directives contained in the Liquidity Policy Handbook (as defined below), given the particular situation of the financial markets. The Bank continued to finance the growth of lending through the increase of customer deposits and in doing so was able to drastically reduce recourse to the interbank market at all maturities. Despite the complex conditions of the financial markets, the Bank was able to reduce its interbank debt and its overall exposure, with the intention of continuing to maintain this balance for at least the next three years.

With reference to lending activities, (as defined in the Loan Policy Document approved in June 2008), the Bank pursues its target of commercial expansion of services to customers by maintaining an adequately diversified portfolio and by limiting the concentration of exposures to single counterparties or groups and to specific business segments. In addition, it conducts an efficient selection of borrowers and carries out a careful analysis of their creditworthiness. The loan policy was supplemented with specific regulations for the assessment of situations of customer concentration, of business segments covered and of the possible risks of concentration in geographical areas.

This process additionally involved the introduction by the Bank of an internal rating system, 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.

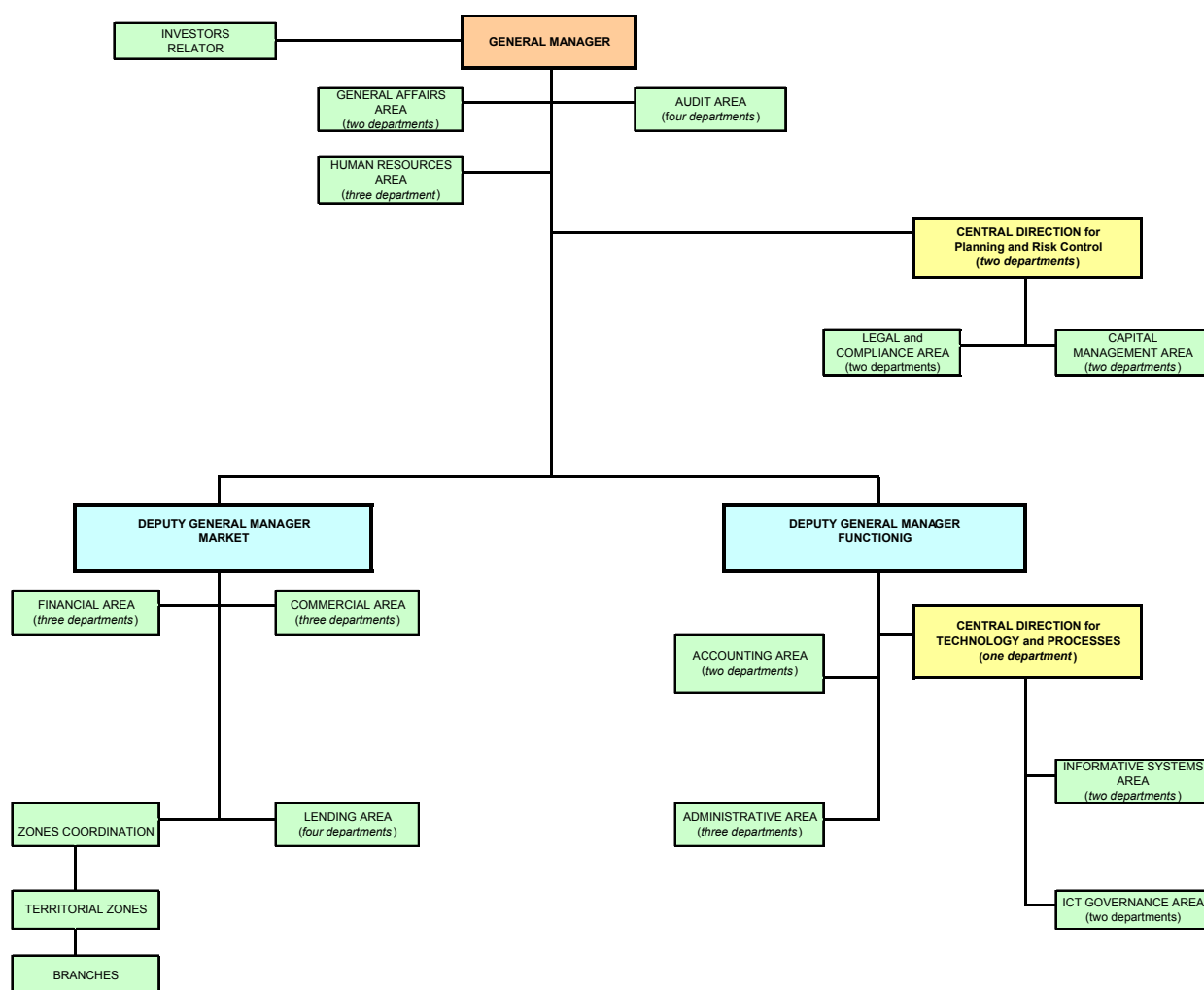
At the end of 2009 the Board of Directors approved the Industrial Plan of the Bank and the Group for the three years 2010 – 2012, which was conceived and constructed by rolling the financial years over, and updated keeping and continuing the Industrial Plan for the three years 2009-2011 as regards the guidelines, objectives, and methods of measuring and developing the asset and income aggregates.

The 2010 – 2012 Industrial Plan reinforces the principles of autonomy, sustainable growth and bent for the model of a retail bank that the Bank and the Group intend to pursue, and maintains over the medium term the aim of pursuing capital equilibrium and balanced structural liquidity.

The Bank's Organisational Structure

At its meeting dated 29 July 2009 the Board of Directors approved the new organisational framework of the Bank. The most significant changes involved the staffing structure, with the creation of two Deputy Managements in respect of which, with effect from 1 August 2009, Deputy General Managers were appointed. In particular were created the "Vice Direzione Mercato" which is concerned with commercial and market areas and the "Vice Direzione Funzionamento" which is concerned with accounting, administrative and technology areas.

The following chart illustrates the organisational structure of the Bank:

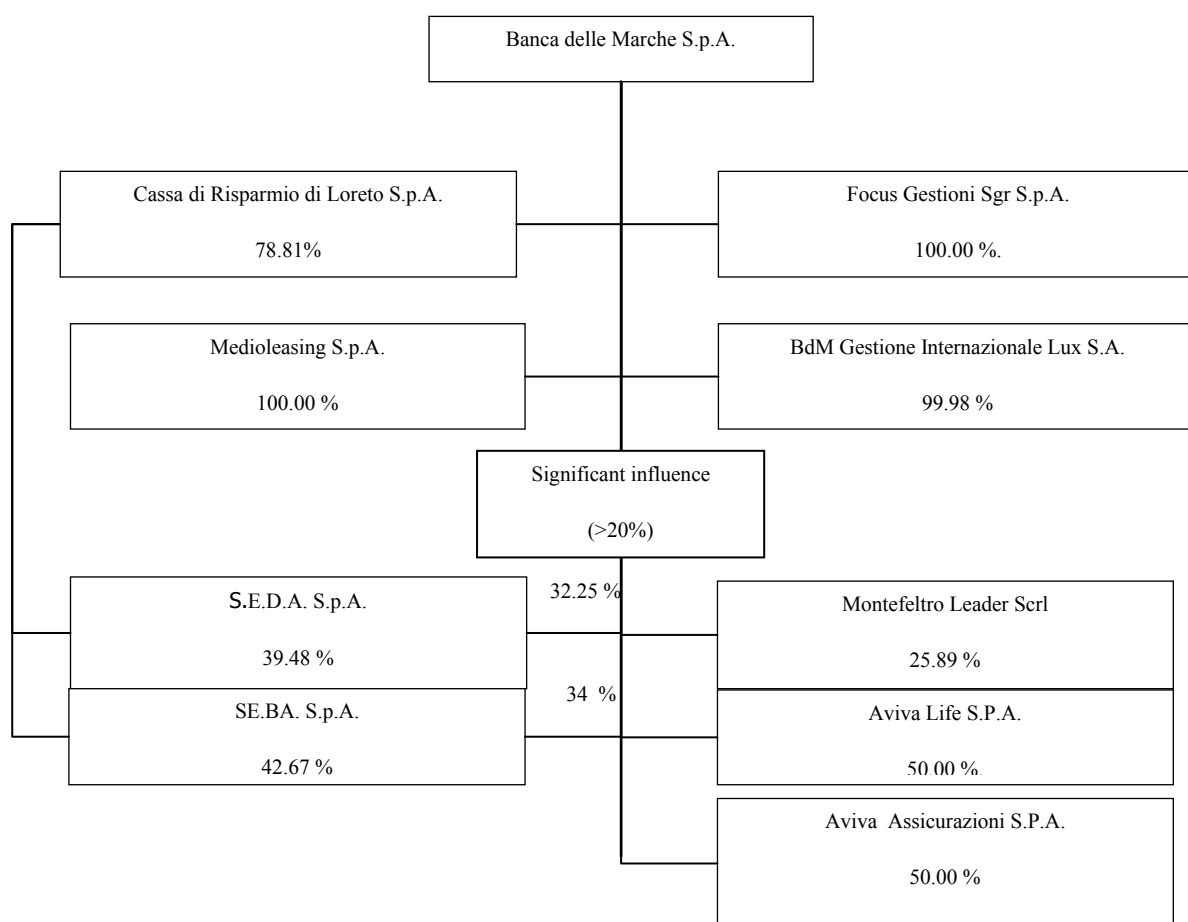


The General Manager's staff is made up of the following groups: General Affairs Area; Human Resources Area; Audit Area; and, Investors Relator. The Commercial Area; the Financial Area; Lending Area and all Territorial Zones report to the Deputy General Manager Market; while Central Direction for Technology and Processes; Accounting Area and Administrative Area report to the Deputy General Manager Functioning.

The Group Structure

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 2009:



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 2009 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 2009 it held total assets of 805,215 million euro and its net income for the year that ended on that date was approximately 5.52 million euro.

Medioleasing S.p.A., a wholly owned subsidiary of Banca delle Marche, was set up in February 2005. Its share capital amounts to 60 million euro. Net interest income reached an amount of 22,951 thousand euro, recording over 2008 a significant increase, of an absolute amount of 2,729 thousand euro (+13.5%). Net commission income also grew significantly compared to 2008 (+78.2%), reaching 665 thousand euro. The above trends were reflected positively in net banking income which, at the end

of the year amounted to 23,616 thousand euro, up by more than 3,000 thousand euro (+14.7%). The company achieved a profit for the year ending 31 December 2009 of 8.756 million 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, total assets managed reached 591 million euro, compared with 571 million euro at the end of 2008 (+3.5%).

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 2009 fund management commissions grew by 15% (from 223 thousand euro at 31 December 2008 to 257 thousand euro at 31 December 2009).

Associated Companies

The Bank has a significant influence (i.e. at least one fifth of the rights to vote at ordinary shareholders meetings are held by the Bank) over the following companies:

Aviva Life S.p.A., a life insurance company, based in Milan, and **Aviva Assicurazioni S.p.A.**, a non-life insurance company, also based in Milan. In September 1999, the Bank and Aviva Italia Holding S.p.A. entered into a joint venture arrangement for the management of two insurance companies. These arrangements were entered into in order to distribute insurance and savings products under the management of Commercial Union through the Bank's branch network. They also provide the Bank with the opportunity to sell its banking products to the clients of the insurance companies;

Se.ba. Servizi Bancari S.p.A., which provides services to banks;

S.e.da. Società Elaborazione Dati S.p.A., involved in software development and IT services;

Montefeltro Leader S.c.r.l., involved in promoting a European Union Leader II programme.

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 30 September 2009 the Bank's loan portfolio amounted to 25.90 percent of total loans outstanding by banks in the Marche region, and total customer deposits amounted to 31.21 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 of 31 December 2009, loans to customers, relating to a number of borrowers of more than 182 thousand, amounted to 16,668.054 million euro recording an increase of 8.3% over 31 December 2008. The table below shows a breakdown of lending by types of credit:

BREAKDOWN OF LOANS TO CUSTOMERS (amounts in thousands of euro)

	2009		2008	
	Amount	Prop. %	Amount	Prop. %
Current accounts	3,827,054	23	4,022,096	26.1
Mortgage loans	9,208,977	55.2	8,794,683	57.2
Credit cards, personal loans and salary-backed loans	258,457	1.6	250,912	1.6
Other transactions	2,136,048	12.8	1,526,619	9.9
Debt securities	73,261	0.4	80,134	0.5
TOTAL PERFORMING LOANS	15,503,797	93	14,674,444	95.4
Impaired assets	1,164,257	7	710,939	4.6
TOTAL	16,668,054	100	15,385,383	100

Current accounts, for ordinary credit line and credit subject to collection purposes, amounting to 3,827 million euro, 23% of the total aggregate, fell by 4.8% from 2008 owing to a reduction in demand for advances subject to collection on commercial bills as a result of lower invoicing by businesses, a factor associated with the economic crisis in progress.

The mortgage loan segment, measured gross of the mortgage loans involved in the various securitisation operations, which as at the reporting date was 1,061 million euro (-15.9%), reached 9,209 million euro, up since 31 December 2008 by 414 million euro (+4.7%).

Consumer credit totalled 258 million euro recording higher volumes of 7.5 million euro (+3%) if compared with 31 December 2008, almost completely due to salary-backed loans which increased by 47.9% from 16 million to 23 million euro.

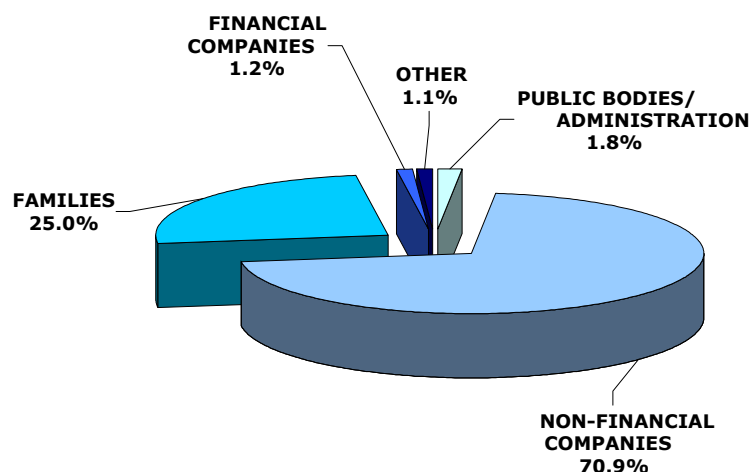
Other forms of lending, including direct grants, special credit, financial portfolio and reverse repurchase agreements amounted to 2,136 million euro (+39.9%). The aggregate includes 743 million euro of lending to the subsidiary Medioleasing S.p.A. (362 million euro at 31 December 2008), net of which the aggregate would have increased by 19.6%.

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 the low level of loan to value on guaranteed loans.

Excluding the amounts disbursed to the subsidiary Medioleasing S.p.A., customer loans achieved 14,952 million euro, an increase of 7.5% with respect to 31 December 2008.

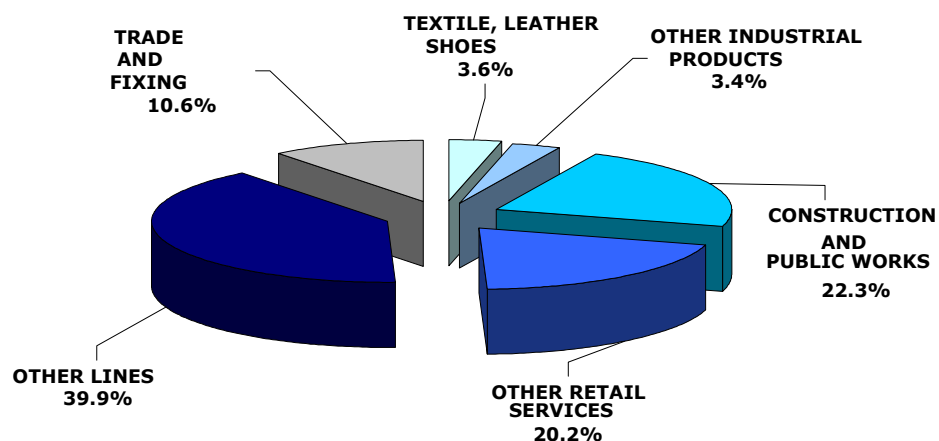
The breakdown of loans by borrower category (economic segment) and branches of business is shown below:



Almost all the Bank's lending was to non-financial companies (70.9%) and families (25%), with a greater proportion, compared to 2008, of the former (67.8% in 2008) and a smaller proportion of the latter (28.4% in 2008), which can be attributed to residential mortgage loan securitisation transactions.

Among the various branches of business, the construction and public works segment, other services aimed at sales and the spare parts and repair trade remained the most significant.

The following chart shows the Bank's lending to non-financial and family businesses (mostly small to medium sized enterprises) and sole traders by market area, in accordance with the Bank of Italy's guidelines as at 31 December 2009.



The concentration of loans to major customers, although increasing, represents a limited share and confirms the fact that the portfolio is highly fragmented, as is shown in the following table:

	As at 31 December	
	2009	2008
Top 20 customers	6.15%	5.63%
Top 30 customers	7.62%	7.04%
Top 50 customers	9.94%	9.17%

The distribution of loans to customers divided 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 companies.

Security

Of the Bank's total outstanding loans (16,668 million euro), 11,344 million euro (68.0 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 the securities and guarantees obtained by the Bank with respect to its loan portfolio as at 31 December 2009:

As at 31 December 2009

As at 31 December 2009														
	Net exposure value	Real guarantees (1)				Personal surety (2)								Total
						Credit derivatives				Endorsement loans				
		Real estate	Securities	Other real guarantees	Credit linked notes	Other derivatives			Governments and central banks	Other public entities	Banks	Other subjects		
						Governments and central banks	Other public entities	Banks						
Secured cash														
exposures:	11,545,882	7,906,922	222,105	49,514	-	-	-	-	-	-	11,400	3,050	3,150,861	11,343,852
fully secured	10,898,596	7,867,289	170,674	37,979	-	-	-	-	-	-	6,640	2,697	2,769,635	10,854,914
partially secured	647,286	39,633	51,431	11,535	-	-	-	-	-	-	4,760	353	381,226	488,938

The Consolidated Loan Portfolio

The following table gives information on the Group's consolidated loan portfolio, as at 31 December 2009 and 31 December 2008:

	As at 31 December					
	2009		2008		Change	
	Amount	Prop. %	Amount	Prop. %	Amount	%
Banca delle Marche S.p.A.	16,668,054	93.7	15,385,383	93	1,282,671	8.3
Cassa di Risparmio di Loreto S.p.A.	634,790	3.6	679,271	4.1	-44,481	-6.5
Medioleasing S.p.A.	2,201,350	12.4	1,962,126	11.9	239,224	12.2
Focus Gestioni Sgr S.p.A.	-	0	-	0	-	n.a.
BDM Gestione Internazionale LUX S.A.	-	0	-	0	-	n.a.
Consolidation adjustments	-1,724,792	-9.7	-1,489,222	-9	-235,570	15.8
TOTAL	17,779,402	100	16,537,558	100	1,241,844	7.5

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 2009, these loans amounted to 17.038 million euro net of adjustments of 141 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 monthly their positions for each country to the Bank of Italy. As at 31 December 2009, 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 2009 the Bank’s doubtful loans were 441 million euro, net of adjustments of 48.185 million euro.

Past-due loans

Pursuant to guidelines established by the Bank of Italy, the Bank must classify a loan as “ past-due” when any material credit obligation to the banking Group is overdue by more than 90 days. As at 31 December 2009 the Bank’s past-due loans were 479 million euro, net of adjustments of 3.239 million 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 2009, bad loans (loans outstanding to insolvent debtors) amounted to 481 million euro, net of writedown of 282.376 million euro.

The following table shows, as at 31 December 2009, a breakdown of the Group’s loan portfolio (after provisions have been made):

(consolidated figures in thousands of euro)

Type of exposure/amounts	<i>Gross exposure</i>	<i>Specific writedowns</i>	<i>Portfolio writedowns</i>	<i>Net exposure</i>
A. Cash Exposures				
a) Bad loans	763,834	282,376	X	481,458
b) Doubtful loans	489,653	48,185	X	441,468
c) Restructured loans	17,179	141	X	17,038
d) Past-due loans	482,305	3,239	X	479,066
e) Other assets	16,918,497	X	68,046	16,850,451
Total A	18,671,468	333,941	68,046	18,269,481

International activities

Foreign banking business (import/export operations and services) recorded total flows of 3,81 million euro, down from 2008 (-28.9%, -1,068 million euro), in line with the slowdown of net exports recorded at a national level.

The following table shows a breakdown of the Bank's foreign trading transactions, as at 31 December 2009 and 2008:

	As at 31 December			
	2009	2008	Changes	
	<i>millions of euro</i>	<i>millions of euro</i>	<i>millions of euro</i>	<i>%</i>
Exports + services	2,444	3,512	-1,068	-30.4
Imports + services	1,366	1,848	-481	-26.0
Total	3,810	5,359	-1,549	-28.9

Financial Portfolio

The total outstanding value of the financial portfolio as at 31 December 2009 amounted to 838 million euro compared to 1,182 million euro as at 31 December 2008. The following table shows the breakdown of the financial portfolio as at 31 December 2009 and 31 December 2008:

	As at 31 December	
	2009	2008
Financial assets held for trading	260,513,767	586,824,464
Financial assets available for sale	577,665,742	595,650,739
Total	838,179,509	1,182,475,203

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.

Trading on specific operating desks is mainly carried out, with short term purchase-sale transactions, and careful control of the performance and risk thresholds, with the intention of making gains on positions easily cashed in. A component of approximately 20% of the portfolio, at the same level as at December 2008, was invested in bond instruments linked to diversified strategies with respect only to interest rate risk and issuer risk of the banking sector. These securities, like banking sector bonds, increased significantly in value over the year. 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 remained at quite reasonable levels. This confirmed our customers' appreciation of the products offered by the Bank (mainly caps and swaps) and the capacity of the dedicated management and network structures to channel them effectively and provide advice. Among trading swaps there are also trading and over-hedging derivatives. During the current year, the termination of most of the trading operations produced positive economic results, facilitated by the trend in the interest rate curve. The equities portfolio at the end of 2009 accounted for approximately 8% of the trading book, with a balance of about 11 million euro, an increase compared to the end of 2008 (1.5 million euro). The gradual increase of the position achieved during the year was oriented to the shares of Italian and European issuers. 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 profitability of the securities portfolio and trading derivatives as at 31 December 2009 and 2008:

	As at 31 December	
	2009	2008
Average Balance	872,493	1,233,837
Total return on securities portfolio and trading derivatives	65,403	45,112
of which:		
Interest and discounts	20,676	41,285
Dividends on financial assets for trading	225	463
Net result from trading	27,469	9,038
Gains/(losses) from disposal or repurchase of AFS and own liabilities	6,984	10,433
Change in value of AFS securities	12,556	-16,107
Annual return on investment	7.80%	3.70%

Funding

At 31 December 2009 total customer deposits amounted to 19,826 million euro, a decrease of 211 million euro over 31 December 2008 (-1.1 percent.).

Direct customer deposits represented 77.6 percent of the total and the remaining 22.4 percent represented assets under administration, assets under management and insurance products. In particular, direct customer deposits amounted to 15,384 million euro (an increase of 103 million euro compared to the end of 2008). The following table shows a breakdown by type of the Bank's total customer deposits as at 31 December 2009 and 2008:

	As at 31 December					
	2009		2008		Change	
	Amount/000	Prop. %	Amount/000	Prop. %	Amount/000	Amount
DIRECT FUNDING	15,384,208	77.6	15,281,437	76.3	102,771	0.7
INDIRECT FUNDING	4,441,744	22.4	4,755,325	23.7	-313,581	-6.6
TOTAL FUNDING	19,825,952	100	20,036,762	100	-210,810	-1.1

Direct Customer Deposits

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 2009 and 2008:

	As at 31 December					
	2009		2008		Change	
	Amount/000	Prop. %	Amount/000	Prop. %	Amount/000	%
Current accounts and deposits	6,295,209	40.9	5,146,478	33.7	1,148,731	22.3
deposits received in administration and other payables	882,526	5.7	646,745	4.2	235,781	36.5
Repurchase agreements	65,034	0.4	201,586	1.3	-136,552	-67.7
Term funding	7,883,116	51.2	9,011,723	59.0	-1,128,607	-12.5
<i>Bonds</i>	<i>6,046,364</i>	<i>39.3</i>	<i>5,608,001</i>	<i>36.7</i>	<i>438,363</i>	<i>7.8</i>
<i>Other securities</i>	<i>1,836,752</i>	<i>11.9</i>	<i>3,403,722</i>	<i>22.3</i>	<i>-1,566,970</i>	<i>-46.0</i>
Payables against securitised loans	258,323	1.7	274,905	1.8	-16,582	-6.0
TOTAL	15,384,208	100	15,281,437	100	102,771	0.7

Current account balances and savings deposits, amounting to 6,295 million euro, were up in comparison with 31 December 2008 (+22.3 percent.) this was a result of the preference expressed by customers for liquidity, considering a very low interest rates scenario and the expansion of the customer base, as shown by the increase in the number of current accounts, which rose by

approximately 7,500 (+2.1%) from December 2008. As regards medium and long-term funding activities on the capital markets, during 2009 funding by issues of senior bonds with institutional clients decreased by 410 million euro owing to redemption of senior loans and this funding was only in part replaced by new issues. In particular, in February and October the Bank repaid two issues of Senior Floating Rate Notes, of 500 and 450 million euro respectively; the latter was immediately replaced by a similar one, for 500 million euro with a maturity of two years. In December, the Bank also completed a private placement with institutional customers of 40 million euro. Conversely, the Bank was not active in the subordinated loans segment, the amount of which remained at 365 million euro.

The Bank has also made arrangements to exploit alternative funding sources, using securitisation notes backed by some of the Bank's own receivables portfolio, to be used in repurchase agreements with the European Central Bank. As regards, in particular, the securitisation market, as of 31 December 2009 four securitisation transactions had been completed by the Bank, all of which were backed by mortgage loans. The final one was completed on 24 July 2009 and involved both residential and commercial mortgage loans. The financial structure of the fourth securitisation, carried out through the vehicle Marche Mutui 4 S.r.l., is substantially similar to the previous one (Marche Mutui 3 S.r.l.); in both cases, the Bank sold without recourse a portfolio of performing loans deriving from loan contracts backed by mortgages to a special purpose vehicle, established under the terms of the Italian Securitisation Law 130/99. The loan portfolio sale price, which was equivalent to the principal amount outstanding of the loans at the time of the transfer, was financed through the issue, on 24 July 2009, of notes for a total amount of 1,960 million euro, part of which was used to establish a cash reserve of 65,868 thousand euro. The class A notes, which are rated "Aaa" by Moody's, are listed on the Luxembourg Stock Exchange and were subscribed by the Bank in order to be used in refinancing transactions (REPOs) on the money market with the European Central Bank. The cash generated by these transactions is included in the item "Interbank Funding". The unrated J class notes were also subscribed by the Bank.

During 2009 direct funding with EIB funds decreased by approximately 19 million euro, which is the equivalent to the repayments made of principal on loans previously taken out. The Bank has committed to use EIB funds to finance projects undertaken by small and medium enterprises operating in the Bank's core territory.

Indirect Customer Deposits: Assets under Management and Assets under Administration

Indirect funding totalled 4,442 million euro, down by 314 million euro with respect to 31 December 2008 (-6.6%), reflecting the negative trends of both the administered component (-4.1%) and the managed component (-8.9%).

The following table shows the breakdown of the Bank's indirect customer deposits by type as at 31 December 2009 and 2008:

	2009		2008		Change	
	Amount	Prop. %	Amount	Prop. %	Amount	%
Assets under Management	2,172,957	48.9	2,265,267	47.6	-92,310	-4.1
Of which:						
Government securities	914,665	20.6	1,186,244	24.9	-271,579	-22.9
Corporate Bonds	862,467	19.4	755,127	15.9	107,340	14.2
Shares	372,945	8.4	299,171	6.3	73,774	24.7
Other securities	22,880	0.5	24,725	0.5	-1,845	-7.5
Assets under Administration	2,268,787	51.1	2,490,058	52.4	-221,271	-8.9
Of which:						
Mutual funds	550,084	12.4	510,420	10.7	39,664	7.8
Asset management	1,241,457	27.9	1,427,982	30	-186,525	-13.1
Insurance products	477,246	10.7	551,656	11.6	-74,410	-13.5
Total	4,441,744	100	4,755,325	100	-313,581	-6.6

In detail, Assets under Management, totalling 2,173 million euro which represents 48.9% of total indirect funding, fell by 4.1% mainly due to a reduction in the segment of government bonds (from 1,186 million to 915 million euro -22.9%).

Assets under Administration, amounting to 2,269 million euro (-8.9% from 31 December 2008), recorded a further fall of asset management (1,241 million euro, -13.1%), measured at the *tel quel* price and net of the associated liquidity, which were affected not only by the negative trend of financial assets, but also by a recomposition of funding from management products to direct investment in bank bonds.

Treasury Activities

Treasury activities and financial operations have the aim, on one hand, of collecting funds on the financial markets and, on the other, of using these funds in accordance with the risk/return targets determined by the Board of Directors for the entire Group. With regard to liquidity management, in 2009 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. At 31 December 2009 Interbank funding amounted to approximately 1,278 million euro, of which 450 million euro was derived from participation in the main refinancing operation with the European Central Bank. The increase of interbank funding by approximately 576 million euro, arranged at interest rates lower than the main refinancing rate, covered the gap generated by the maturity of the Senior Floating Rate Note in October of 450 million euro and, at the same time, enabled an increase in the level of the free items eligible for refinancing at the European Central Bank. The Bank also carried out treasury management for its subsidiary Cassa di Risparmio di Loreto S.p.A. and direct financing for its subsidiary Medioleasing S.p.A.; the latter was provided with a revolving credit line, of an amount of 800 million euro and loan facilities with maturities corresponding exactly to those typical of the subsidiary's operations, for a total amount of approximately 947 million euro.

Risk Management

During the 2007 financial year the Group improved its governance and auditing systems by establishing the Central Value Creation Department. The Central Value Creation Department has the task of monitoring risks and identifying lending policies on the basis of the guidelines approved by the Board of Directors, with the objective of ensuring 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 Department is made up of the Capital Management Unit and the Planning Unit. The Capital Management Unit coordinates the Asset & Liability Management (ALM) and the Risk Management Service, which is responsible for the quantification and management of market and operational risks, and the Credit Policies Service, which quantifies credit risks. The Planning Unit is made up of the Planning and Management Control departments.

Credit Risk

General Aspects

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. Policies for the management and control of the quality of the loan portfolio and of associated risks are defined by the Central Value Creation Department in accordance with the guidelines laid down in the strategic plan. The Department maintains centralised monitoring of the “Basel 2 project”. Responsibility for managing and monitoring lending lies with relationship managers (branches and customer account managers) for all first tier activities. In the second instance these activities concern the entire structure of the Bank at both a local and central level. There are in fact specific units in each Territorial Area which are centralised in the Central Commercial Department. The organisational structure of the Central Commercial Department was developed to ensure maximum efficiency and functionality. 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 current 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, measurement 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 Central Planning and Risk Control Department (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.

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 Service. 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 Finance Department), 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 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 the calculation of market risks, the standard model prescribed by the Basel Committee and Bank of Italy is used, the algorithms of which have been reproduced with IT instruments and are used in daily operational processing. The risks monitored are those related to positions (where these are generic or specific), settlement, counterparty and portfolio concentration, as well as the exchange rate risk for the entire balance sheet. No internal models are used to calculate the capital requirements, as the standard model is used for this purpose.

Banking Group

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 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. In this context, a coherent organisational structure was developed with the ALM and Risk Management unit and the specific ALM Committee. Currently no specific limits have been laid down on the assumption of interest rate risks.

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 Bank's entire balance sheet, thus including both the trading book and the banking book. The main sources of exchange rate risk are represented by 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. During the year the net position open to exchange rate risk was very limited, of an average of about 5.6 million euro, an increase compared with the figure for 2008 (3.3 million euro). The corresponding risk measure, calculated on the basis of the standard Regulatory model, was 638 thousand euro during the first half of the year. As for the position risk of the trading book, starting in July 2009 the VaR model was introduced also for the calculation of the exchange rate risk on the total foreign currency position. During 2009 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 Bank being unable to deal efficiently with its expected or unexpected, current or future cash outflows, and with its needs for collateral, without jeopardising its daily operations or financial situation. Market liquidity risk means the risk of the Bank 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 model of governance of the Bank is based on the centralised management of liquidity. The Bank:

- 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 (new Basel 2 Capital Accord, issued by the Bank of Italy in December 2006), during the year the Bank completed its work on implementing the liquidity risk monitoring and management system.

This task 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 thresholds and fund planning). The total liquidity gap shows higher amounts at the end of 2009 than at the end of 2008 and well above the limit identified, even though in the first quarter, a bond loan of 500 million euro was not renewed and was repaid. This improvement of the liquidity profile benefited from:

- the securitisation of Banca Marche mortgage loans completed in the third quarter;
- the update of the EMTN programme for bond issues on the Euromarket, which facilitated the renewal of a bond that matured in October 2009.

In December 2009 the liquidity gap on the time horizon of the maturity ladder (6 months) was on average -270 million euro, while at the end of 2008 it amounted to -403 million euro.

On average, during the year, the liquidity gap at one and at two days was positive by more than 830 million euro, testifying to an excess of liquidity reserves with respect to the incoming and outgoing flows. The gap at one month was also positive, by an average 652 million euro, while the forecast gap at 6 months was -134 million euro.

Operational Risks

Operational risk is the risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risks. In relation to these risks and to their important implications for the Group's banking operations in terms of both capital absorption and efficiency of business and operational processes, the Bank introduced the Operational Risk Management (ORM) System, which enables it to make the operational risk monitoring/management instruments effectively available. The ORM project, which was developed in conjunction with a leading international consulting company and is part of a process of development and consolidation of the internal auditing system, involves the entire corporate structure (from top management down to single units) and aims to identify, monitor, control and mitigate operational risks, in order to maximise the level of effectiveness and efficiency of the corporate processes, thereby minimising losses so as to preserve the value of assets. The framework is based on a governance model which assigns to the Bank the task of defining the methodologies and procedures to detect and measure operational risks and oversee the relevant management processes. The governance model provides for the following main responsibilities:

- The Risk Auditing Committee is an organ of direction, governance and control of the overall risk process and thus also of the operational risks of the Group.
- The Parent Company's Capital Management Department, which includes the ALM and the Risk Management Service, is entrusted with defining the methodologies and procedures for the detection and measurement of operational risks, with an active role also in the policy-making process as regards insurance.
- The Parent Company's ICT Governance and Operational Controls Service verifies the correct performance of the processes of operational Loss Data Management (LDM) and Risk Self Assessment (RSA) on the part of Tier 1 operational risk managers.
- The Parent Company's Audit Department internally evaluates the Operational Risk measurement system and oversees the classification process of activities according to their business lines.

In the second planning stage we completed and activated the operational risk management system (the structured set of processes, functions, assessments and controls of operational risks) the main features of which are:

- 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.

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) 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.

On a consolidated basis, the Banking Group is subject to the rules on the subject of regulatory capital, total capital requirement, internal capital adequacy assessment and risk concentration.

Italian banks belonging to banking groups must observe, on an individual basis, the same rules envisaged for the group; at an individual level, however, the total capital requirement is reduced by a quarter and the limits on risk concentration are less stringent than the ordinary ones.

For the purposes of the calculation of the consolidated regulatory capital, the companies included in the consolidation scope of the Banca Marche Group are taken into consideration, in accordance with the rules mentioned above.

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 2009 it amounted to 1,652.089 million euro, of which Tier 1 capital was 1,149.069 million euro and Tier 2 capital 531.270 million euro.

The regulatory capital was increased by a total of 80.093 million euro compared to the previous year.

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			
	2009		2008	
	Bank	Group	Bank	Group
Capital Adequacy ratios				
Tier 1 capital/Weighted risk assets (Tier 1 capital ratio)	8.20%	7.41%	7.42%	6.68%
Regulatory capital including Tier 3/Weighted risk assets (Total capital ratio)	11.84%	10.65%	11.02%	9.93%

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 the Group's 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 2009. 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			
	2009		2008	
	Bank	Group	Bank	Group
A. Tier 1 capital before application of prudential filters	1,121,311	1,154,057	1,065,154	1,091,754

B. Tier 1 capital prudential filters::	-	5,486	-	4,535	-	33,942	-	34,611
B.1 Positive IAS/IFRS prudential filters (+)		1,020		1,078		-		-
B.2 Negative IAS/IFRS prudential filters (-)	-	6,506	-	5,613	-	33,942	-	34,611
C. Tier 1 capital including disallowed elements (A+B)		1,115,825		1,149,522		1,031,212		1,057,143
D. Disallowed elements of Tier 1 capital		234		453		234		496
E. Total Tier 1 Capital (C-D)		1,115,591		1,149,069		1,030,978		1,056,647
F. Tier 2 capital before application of prudential filters		522,082		531,723		515,606		532,188
G. Tier 2 capital prudential filters:		-		-		-		-
G.1 Positive IAS/IFRS prudential filters (+)		-		-		-		-
G.2 Negative IAS/IFRS prudential filters (-)		-		-		-		-
H. Tier 2 capital including elements to be deducted (F+G)		522,082		531,723		515,606		532,188
I. Elements to be deducted from Tier 2 capital		234		453		234		496
L. . Total Tier 2 Capital (H-I)		521,848		531,270		515,372		531,692
M. Elements to be deducted from total Tier 1 and 2 Capital		26,890		28,250		26,890		24,008
N. Regulatory Capital (E+L-M)		1,610,549		1,652,089		1,519,460		1,564,331
O. Tier 3 capital		-		-		12,631		7,665
P. Regulatory capital including Tier 3 (N+O)		1,610,549		1,652,089		1,532,091		1,571,996

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 2009 and 31 December 2008:

	As at 31 December		
	2009	2008	Change
	Weighted Amount	Weighted Amount	Amount
	(EUR/000)	(EUR/000)	(EUR/000)
Credit and counterparty risk	993,666	1,015,980	- 22,314
Market risks:	21,173	29,496	- 8,323
- Standard Approach	21,173	29,496	- 8,323
- Internal Approach	-	-	-
Operational risk	73,743	66,794	6,949
- Basic Approach	-	-	-
- Standardised Approach	73,743	66,794	6,949
- Advanced Approach	-	-	-

Other Prudential Requirements		-	-
Total Prudential Requirements	1,088,582	1,112,270	- 23,688

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 723 million euro (776 million euro as at 31 December 2008) and commitments of the Bank amounted to 3,683 million euro as at 31 December 2009 (2,272 million euro as at 31 December 2008).

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

As of 31 December 2009 Banca Marche had 330 ATMs in operation (332 in 2008) with 6,220,400 withdrawals (-2%) for a total of 939,264 thousand euro (-1.3%). During 2009 mobile phone recharging with the providers Tim, Vodafone, Wind and H3G produced 385,706 top-ups for 12,776 thousand euro. A total of 4,844 payments of TV licence commissions and 1,784 top-ups of Shop&Go 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 communication to customers and the implementation of microchip security. During 2009 the Bank brought into operation a number of ATMs which also enable the paying in of cash and cheques. Included in the design of the self service area of new branches, which involved 9 branches in 2009, but is planned to be extended gradually also

to others, this ATM, in addition to providing the standard services (withdrawal, payments, information), is capable of dealing with the functions of paying in cheques and paying in cash.

Point of Sales and Electronic Commerce

For the POS service the operating results of 2009, although they were affected by the economic crisis and by the reduction of consumption, were positive, showing an increase not only in terminals installed (+4.7%), but also in volumes intermediated (726 million euro, +1.8%) and in the number of transactions (approximately 9.5 million, +3.8%) as shown in the table below:

<i>(in thousands of euro)</i>	2009	2008	Absolute change	change %
Terminals Installed	12,349	11,798	+551	+4.7
Turnover	726,005	713,485	+12,520	+1.8
Transactions	9,569,395	9,223,600	+345,795	+3.8
Average POS transactions	66.15	67.65	-1.50	-2

In detail, 4 million transactions were made using credit cards (+6.3%), while those with debit cards were more than 5.5 million (+1.9 %).

The Pagovelox project, which envisaged the installation of approximately 120 POS terminals, at the same number of businesses, equipped with a RFID receiver for the execution of payment transactions in “contactless” mode with the MasterCard Paypass credit card for amounts of less than 25 euro, is for now limited to the cities of Pesaro, Fano, Cattolica and Gabicce.

Debit and credit cards

At 31 December 2009 the amounts relating to payment cards were the following:

Type of card	31.12.2009	31.12.2008	Absolute change	change %
Debit Cards *	219,255	232,294	-13,039	-5.6
Credit Cards	143,866	146,898	-3,032	-2.1
TOTAL	363,121	379,192	-16,071	-4.2

(*) this aggregate includes stocks of Bancomat debit cards, prepaid cards and the international debit card

With respect to 2008 the amount of “Payment Cards” fell by 4.2% as a result of a drop both in the number of debit cards (-5.6%, also as a result of the rationalisation of products with the release of the new multifunctional Debit card and the elimination at the same time of cards such as the international debit card) and in the number of credit cards (-2.1%).

In line with SEPA regulations, the new Debit card, pre-issued and with no expiry date, co-branded with chip and band, sold in four different versions, suitable for the same number of risk profiles, provides for the presence at the same time of the domestic circuit (Bancomat/Pagobancomat) and the international circuit (Cirrus/Maestro), with the advantage of its possible use for withdrawals and

payments all over the world. At the end of December 2009 approximately 40,000 new debit cards had been issued.

At the end of 2009 the Basic Banking Service, chiefly designed for segments of customers not yet familiar with banks such as non-EU citizens, atypical workers and young people to whom the Bank devotes growing attention, increased by 14%.

As regards credit cards, the CartaSi products with 125,602 cards in circulation fell by 2.7% from 2008, but there was, however, success for the prepaid “Eura” and “MY” cards (+42.5%). The period of negative economic performance led to a process of disposal by customers of payment instruments which are little used or unused, or are sometimes considered costly such as the “Classic” cards (-6.1%) and, above all, “Revolving” cards (-10.4%).

Average expenditure on each active card (CartaSi circuit) declined by 0.6%, while the average number of transactions rose (+2.9%). The amount of the “average spending” per transaction, of 103.50 euro, fell by 3.5%, confirming the trend towards a more frequent use of cards, but for transactions of a lower average amount.

Among the other circuits, on the one hand there was growth for the cards issued by American Express (+3.5%) and Diners (+2.2%), on the other, a decline in the BankAmericard circuit (-0.5%).

As part of the Pagovelo project which involved “contactless” payments up to 25 euro, at the end of 2009 the number of credit cards in circulation, compliant with the EMV standard with in addition the PayPass function which enables, POS terminal permitting, contactless transactions, was 2,000.

Bancoticket (Automated Ticket Office)

Banca Marche has been active for some time in ticket sales for important sporting, musical and theatrical events organised in the Marche and neighbouring regions, confirming its presence and the central role that it has assumed also in the leisure sector. The service known as Bancoticket – an event management system “certified” by the Tax Authority – is in operation in all its branches, enabling operators to issue tickets for entry to events to both customers and non-customers. During 2009 approximately 96 events were handled, with the sale of 14,300 tickets (+16% compared with 2008).

INTERNET BANKING (Families, Businesses, Public Bodies)

The Bank offers its customers various types of “InBank” Remote Banking services:

The Bank’s online services, organised according to the different customer segments, enable rapid access to information and Bank’s services and are used by a growing number of people and economic and institutional entities:

- Inbank Famiglie: designed for private customers, used mostly for information purposes, but appreciated also for its order features, which have been further expanded with new operational options, had 36,010 registered users at 31 December 2009 (+13.9% over the end of 2008) with 125,600 transactions performed (+79.7%) for 212,223 thousand euro (+93.9%);
- Inbank Imprese, for the management of collections and payments designed for businesses, had 20,400 registered users (+9.8% over 2008), with approximately 3,776,000 orders (+8.4%) and volumes of 8,750 million euro (+8.9%); this service is also accompanied by InBank Imprese no-web

which had 95 businesses connected, 882 million orders for collection and payment transmitted, and approximately 772 thousand orders;

- Inbank Info, designed for both private and business customers, through which information can be consulted on bank accounts, which at the end of 2009 had 10,500 private and 5,800 business customers;

- Inbank i Mercati a portata di Mouse (Markets at the touch of a mouse), an on-line trading service providing transactions on the financial markets in real time, which has 1,635 registered users, with around 58,100 orders executed and more than 747,980 thousand euro of turnover (34.1% of total trading) during the year;

- Inbank Enti Pubblici (Public Bodies), the service made available to Public Bodies and Agencies whose treasury or cash desk service is managed by Banca delle Marche, which also enables the use of an electronic mandate with which the body can digitally sign mandates and collection orders. As of 31 December 2009 435 Bodies/Agencies had registered with more than 1,350 users.

During 2009 actions were taken to simplify and improve the general operation of the service, in particular the “multiple signing of several orders” (business segment) and “rapid orders” (business and family segments), which simplify and speed up the process of transmitting payment/collection orders to the bank. The Bank also gave customers the possibility to operate their current account from several Inbank access points, so that each holder, co-holder or delegate of a current account, can operate electronically on the account in question, via their own Inbank access.

During 2009, finally, the implementation stage began for integration of MAV slip payment functions, a service which offers customers the option of making payments electronically, without having to go to the bank or post office.

THE WEBSITE WWW.BANCAMARCHE.IT

The website www.bancamarche.it is an important channel for communication and interaction with both customers and others. During 2009 it recorded approximately 6 million “hits” (+52% over 2008), with a monthly average of 500,000 visits.

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 Covered Bonds, nor is the Bank aware that any such litigation is pending or threatened.

Recent Developments and outlook for the future

In December 2009 the Bank began work on the acceptance of the agreement signed by the Italian Banking Association (“ABI”) and Cassa Depositi e Prestiti (“CDP”), completed in January 2010, which provides for the possibility of granting loans to small and medium enterprises with less than 250 employees and a turnover of less than 50 million euro (or with total financial assets of up to 43 million euro) using the funds made available by CDP for a total maximum amount of 8 billion euro for the

entire banking system, with the aim of sustaining investments to be made and/or in progress, or to meet the need for an increase in such enterprises' working capital.

As far as legislative changes are concerned, on 1 February 2010 an agreement between ABI and the Consumers' Associations (signed on 18 December 2009 and known as the "Families Plan – Suspension of loan instalments") came into force. On the basis of this agreement, members of families experiencing particularly difficult situations (job loss, death of a family member) and with a total family income of no more than 40,000 euro, can qualify for the temporary suspension for a period of up to a year of the capital instalments of their mortgage loan if they were taken out for the purchase, renovation or construction of first homes and were for an original amount of no more than 150,000 euro.

As regards management of the Bank's portfolio of equity investments, the sale was completed, by the current shareholders of S.E.DA. S.p.A. in favour of the buyer, the KGS consortium, of the first tranche, of 30%, of the share capital of the above company, in line with the provisions of the preliminary sale contract signed by the parties.

The accounting figures for the first period of 2010 confirm the consolidation of the economic and financial results of the Bank, showing performance in line with the indications of annual planning and the 2010-2012 Industrial Plan approved, which is focused on reinforcing the principles of autonomy, sustainable growth and vocation for the model of retail bank that the Bank and the Group intend to pursue, maintain over the medium term and develop, observing the objectives of capital equilibrium and balanced structural liquidity.

On July 2010 the Bank (i) has established a 5 billion euro Covered Bond Issuance Programme unconditionally and irrevocably guaranteed by Marche Covered Bond S.r.l.; and (ii) has 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.

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 as at 28 May 2010
Michele Ambrosini	<i>Chairman</i>	Chairman of Medioleasing S.p.A. Lawyer, academic
Tonino Perini	<i>Deputy-Chairman</i>	Deputy Chairman of S.E.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 Aviva Life S.p.A. Director of Aviva Assicurazioni S.p.A. Director of Carilo S.p.A. Member of ABI Executive Committee and Council since July 2008 Deputy Chairman Board of Director of "Fondo Pensione Banca delle Marche" Member of Executive Committee "Patti chiari" union (since March 09 th 2010)
Bruno Brusciotti	<i>Director</i>	Lawyer, academic Chairman Focus Gestioni SGR S.p.A. Director of Aviva Life S.p.A. Director of Aviva Assicurazioni S.p.A. Director of Ariston Thermo S.p.A. Director of Merloni Termosanitari Spa Member of Executive Committee MTS shareholder Director of Eridel Spa
Giuliano Bianchi	<i>Director</i>	Chairman of Macerata Camera di Commercio Provincial Secretary of Macerata Confartigianato Imprese Auditor of Nuova Immobiliare Macerata S.p.A.
Pio Bussolotto	<i>Director</i>	Director of Italconsult S.r.l. since 10 April 2009 Member of Padova Camera di Commercio, Industria, Artigianato e Agricoltura Council since 9 May 2008 Deputy - Chairman (Vicarious) of Cassa di Risparmio del Veneto S.p.A. since 8 April 2008
Francesco Calai	<i>Director</i>	Director of SE.BA. S.p.A.
Massimo Cremona	<i>Director</i>	Chairman Board of Director Primavera Finanziaria S.p.A. since 26.05.2009 Director of Aviva Italia Holding S.p.A. since 26

	April 2007 Director of Aviva Italia S.p.A. since 30 April 2009 Director of Aviva Life S.p.A. since 21 April 2008 Director of Aviva Assicurazioni S.p.A. since 21 April 2008 Director of Aviva Assicurazioni Vita S.p.A. since 18 June 2008 Director of Aviva S.p.A. since 30 April 2009 Director of Aviva Vita S.p.A. since 27 April 2009 Director of Banca Popolare Commercio e Industria S.p.A. since 10 April 2008 Director of Blefin S.p.A. since 17 November 2009 Director of Cofide – Compagnia Finanziaria De Benedetti S.p.A. since 27 April 2007 Director of Finanziaria Brera S.r.l. since 26 October 2009 Director of Gianni Versace S.p.A. since 28 April 2008 Director of GIVI Holding S.p.A. since 28 April 2008 Director of Leonardo SGR S.p.A. since 13 April 2010 Chairman of Board of Director of Officina Etica Consulting S.r.l. since 11 April 2008 Director of Petunia S.p.A. since 27 April 2009 Director of Quaranta Immobiliare S.r.l. since 14 December 2007 Director of S.A.C.R.A. S.r.l. since 1 April 2009 Deputy Manager Board of Director of Salchi Metalcoat S.r.l. since 27 April 2007 Director of Silex S.p.A. since 21 June 2007 Director of Technogym S.p.A. since 12 December 2008 Chairman of Auditors of Sasol Italy S.p.A. since 26 September 2008 Chairman of Auditors of UBS Securities Italia Finanziaria S.p.A. since 3 May 2007 Chairman of Auditors of UBS Italia SIM S.p.A. since 27 April 2009 Chairman of Auditors of Morgan Stanley SGR S.p.A. since 29 March 2007 Chairman of Auditors of Fonspa Bank S.p.A. since
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		30 March 2007 Chairman of Auditors of Faster S.p.A. since 10 June 2008 Chairman of Auditors of Leonardo S.r.l. since 30 April 2009 Chairman of Auditors of Luvata Italy S.r.l. since 30 March 2010 Chairman of Auditors of Luvata Padova S.r.l. since 29 April 2008 Chairman of Auditors of Metro Campania S.p.A. since 19 June 2009 Chairman of Auditors of Metro Fim S.p.A. since 20 April 2007 Chairman of Auditors of Metzeler Automotive Profile Systems Italy S.p.A. since 30 March 2007 Chairman of Auditors of Reo Co Icr S.r.l. since 28 June 2007 Chairman of Auditors of Rex Capital S.p.A. since 12 February 2008 Auditor of Editrice Abitare Segesta S.p.A. since 7 April 2008 Auditor of Equita SIM S.p.A. since 27 March 2008 Auditor of Metro Dolomiti S.p.A. since 16 April 2007 Auditor of Metro Italia Cash and Carry S.p.A. since 16 April 2007 Auditor of Metro Servizi Logistici S.p.A. since 16 April 2007 Auditor of RCS Digital S.p.A. since 16 April 2009 Auditor of RCS Periodici S.p.A. since 17 April 2009 Auditor of Smaller Cash & Carry S.p.A. since 16 April 2007
Walter Darini	<i>Director</i>	Sole Director of FIM S.r.l. since 22 April 1991 Sole Director of Sil Fim S.r.l. since 5 November 2008 Director of FCM S.p.A. since 23 June 2008 Sole Director of WD Holding S.p.A. since 26 May 2009
Eliseo Di Luca	<i>Director</i>	Retired
Marcello Gennari	<i>Director</i>	Chartered Accountant CEO Pesaro Parcheggio
Mario Volpini	<i>Director</i>	Chairman Board of Directors of Carilo S.p.A. since 18 May 2009 Chairman Board of Directors of Ascom Servizi Integrati per l'Impresa S.r.l. since 19 May 2008 Chairman Board of Directors of Ascom Centro Assistenza Tecnica S.r.l. since 19 May 2008 Sole Director of Ascom Macerata Centro Assistenza Fiscale Imprese S.r.l. since 3 April 2000

		Director of Centro Italiano di Analisi Sensoriale S.r.l. since 14 June 2006 Director of Coturfidi G. Monti Soc. Coop. since 25 April 2008 Deputy-Chairman of Macerata Camera di Commercio
Germano Ercoli	<i>Director</i>	Sole Director of Eurosuole S.p.A. since 29 April 2009 Sole Director of GoldenPlast S.p.A. since 29 April 2005 Sole Director of Immobiliare Maranello S.r.l. since 27 February 2004

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.

		As at 31 December			
		2009	Distribution %	2008	Distribution %
Grade					
Managers with strategic responsibilities		57	2.1	51	1.9
Middle Managers		932	34.34	920	34.21
Professionals		1725	63.56	1718	63.89
Total		2714	100	2689	100
Trainees		312		294	
Temporary staff		58		93	
Total including temporary staff		3084		3076	
Auxiliary Staff		13		14	

Statutory Board of Auditors

Under Italian law, the Bank is required to have a Statutory Board of 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.

SUMMARY 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 2008 (the "**2008 Annual Consolidated Financial Statements**") and as at and for the year ended 31 December 2009 (the "**2009 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 2008 Annual Consolidated Financial Statements and the 2009 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 2008 Annual Consolidated Financial Statements and the 2009 Annual Consolidated Financial Statements were audited by PricewaterhouseCoopers S.p.A..

ANNUAL AUDITED CONSOLIDATED BALANCE SHEETS

CONSOLIDATED BALANCE SHEET

	As at 31 December 2009	As at 31 December 2008
	Amount	Amount
	(EUR/000)	(EUR/000)
Asset items		
Cash and cash equivalents	72,060	73,651
Financial assets held for trading	260,605	600,403
Financial assets designated at fair value through profit and loss	19,039	18,948
Financial assets available for sale	539,378	571,173
Due from banks	312,387	435,737
Loans to customers	17,779,402	16,537,558
Hedging derivatives	19,766	91,179
Equity investments	358	28,935
Property, plant and equipment	213,654	220,019
Intangible assets	35,367	43,885
of which:		
- goodwill	2,776	7,198
Tax assets	234,276	169,390
a) current	153,179	107,167
b) deferred	81,097	62,223
Non-current and disposal groups classified held for sale	32,308	
Other assets	86,993	105,591
Total assets	19,605,593	18,896,469
	As at 31 December 2009	As at 31 December 2008
	Amount	Amount
	(EUR/000)	(EUR/000)
Liability and shareholders' equity items		
Due to banks	1,257,068	733,999
Due to customers	8,273,033	6,978,979
Debt Securities in issue	4,060,080	5,395,807
Financial liabilities held for trading	114,470	99,840
Financial liabilities designated at fair value through profit and loss	4,064,511	3,910,244
Hedging derivatives	45	2,929
Tax liabilities	122,856	126,258
a) current	109,944	107,398
b) deferred	12,912	18,860
Other liabilities	318,501	309,799
Provisions for staff termination pay	67,372	68,181
Provisions for risks and charges	85,166	89,916
a) provisions for pensions and similar benefits	63,629	64,605
b) other provisions	21,537	25,311
Valuation reserves	12,559	-1,235
of which pertaining to assets held for sale	0	0
Reserves	451,492	391,097
Share premiums	119,921	119,952
Share capital	552,662	552,662
Treasury shares (-)	-2,639	-1,861
Equity pertaining to minority interests (+/-)	13,987	13,927
Profit/(Loss) for the period (+/-)	94,509	105,975
Total liabilities and shareholders' equity	19,605,593	18,896,469

ANNUAL AUDITED CONSOLIDATED INCOME STATEMENTS

	For the year ended 31 December 2009	For the year ended 31 December 2008
	Amount	Amount
	(EUR/000)	(EUR/000)
CONSOLIDATED INCOME STATEMENT		
Items		
Interest and similar income	747,330	1,105,680
Interest and similar expenses	(262,250)	(633,247)
Net interest income	485,080	472,433
Commission income	130,187	112,075
Commission expenses	(10,946)	(13,670)
Net Commission income	119,691	98,405
Dividends and similar income	1,718	1,958
Net result from trading	27,809	9,414
Net result from hedging	5,738	(2,651)
Gains/(losses) from disposal of repurchase of:	7,145	10,494
a) loans and receivables	272	-
b) financial assets available for sale	899	586
d) financial liabilities	5,974	9,908
Net result from financial assets and liabilities designated at fair value	(16,627)	6,772
Net banking and income	630,554	596,825
Net value adjustment/writebacks for impairment of:	(132,527)	(86,406)
a) loans	132,527	(82,525)
b) financial assets available for sale	-	(3,881)
Net income from financial activities	498,027	510,419
Net financial and insurance operating income	498,027	510,419
Administrative expenses:	(347,008)	(341,051)
a) staff expenses	(243,010)	(238,856)
b) other administrative expenses	(103,998)	(102,195)
Net provisions for risks and charges	(545)	(4,224)
Net value adjustment/writebacks to property, plant and equipment	(14,173)	(15,458)
Net value adjustments/writebacks to intangible assets	(10,881)	(9,805)
Other operating expenses/income	34,484	37,914
Operating costs	(338,123)	(332,624)
Gains/(Losses) on equity investments	1,077	374
Gains/(Losses) on disposals of investments	1,606	2,623
Profit/(Loss) on continuing operations before tax	162,587	180,792
Income taxes for the period on continuing operations	(66,883)	(73,321)
Profit/(Loss) on continuing operations after tax	95,704	107,471
Profit/(Loss) for the period	95,704	107,471
Profit/(Loss) for the period pertaining to minority interests	(1,195)	(1,496)
Profit/(Loss) for the period pertaining to the parent company	94,509	105,975

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.

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 eighteen 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**").

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 have a maturity of eighteen 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 corporate taxable income (and in certain circumstances, depending on the "status" of the Noteholder, also in the net value of production for purposes of regional tax on productive activities - IRAP) of 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 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 subject to annual substitute tax at a rate of 12.5 per cent. (the "**Collective Investment Fund Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes).

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. 78 of 31 May 2010 (Decree No. 78), has introduced a 5 to 7 per cent. substitute tax to be calculated on the fund's net assets value. Such tax will be due only by real estate investment funds existing at 31 May 2010 and which do not comply with the criteria indicated under Article 1 of Legislative Decree No. 58 of 24 February 1998 as amended by Decree No. 78 and by the regulatory framework to be issued by the Italian Minister of Economy.

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 have a maturity of eighteen 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 to 10 per cent. or reduced to zero 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 eighteen 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 eighteen 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 eighteen 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.

The 27 per cent. withholding tax may be reduced (generally to 10 per cent.) or reduced to zero 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 to 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.

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 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.

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

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

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

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. Law Decree No. 78 of 31 May 2010 (**Decree No. 78**), has introduced a 5 to 7 per cent. substitute tax to be calculated on the fund's net assets value. Such tax will be due only by real estate investment funds existing at 31 May 2010 and which do not comply with the criteria indicated under Article 1 of Legislative Decree No. 58 of 24 February 1998 as amended by Decree No. 78 and by the regulatory framework to be issued by the Italian Minister of Economy.

Any capital gains realised by Italian resident corporations or similar commercial entities or permanent establishments in Italy of non-Italian resident corporations to which the Notes are connected, will be included in their business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes), subject to tax in Italy according to the relevant ordinary tax rules.

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 for consideration 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.

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 generally the transfer of Notes 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 in respect to non-residents is 20% increasing to 35% as from 1 July 2011.

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

- (i) 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
- (ii) the "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

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, each of the Dealers has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes in the Republic of Italy in a solicitation to the public, and that sales of the Notes in Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

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 investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993, Legislative Decree No. 58 of 24 February 1998, CONSOB Regulation No. 16190 of 29 October 2007 (in each case, as amended) and any other applicable laws and regulations; and
- (b) 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 18 December 2008. 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, 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

Save as otherwise disclosed in this Base Prospectus and since 31 December 2009 (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

Save as otherwise disclosed in this Base Prospectus and since 31 December 2009 (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

Save as otherwise disclosed in this Base Prospectus and since 31 December 2009 (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 2008 and 2009.

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, 2008 and on 31st December, 2009.

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