



## **Interbanca S.p.A.**

*(a bank organized and existing under the laws of the Republic of Italy, enrolled in the banks' register and belonging to the "Gruppo Bancario Banca Antoniana Popolare Veneta" enrolled in the banking groups' register)*

**€ 3,000,000,000**

### **Debt Issuance Programme**

#### **Due from one month to 30 years from the date of original issue**

*Under the Debt Issuance Programme described in this Offering Circular (the "Programme"), Interbanca S.p.A. (an "Issuer" or the "Bank") and any subsidiaries duly appointed and guaranteed by Interbanca S.p.A. (acting in such capacity the "Guarantor") which have entered into all supplemental documentation as required by the Agency Agreement and the Dealer Agreement referred to below (each an "Issuer", and an "Issuing Subsidiary"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes (the "Notes") denominated in any currency agreed between the relevant Issuer and the relevant Dealer (as defined on page 7). The nominal amount of Notes outstanding will not at any time exceed Euro 3,000,000,000 (or the equivalent in other currencies).*

*Application has been made to list the Notes issued under the Programme on the Luxembourg Stock Exchange. However, unlisted Notes may be issued pursuant to the Programme. The relevant Pricing Supplement (as defined on page 8) in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Luxembourg Stock Exchange (or any other stock exchange). In relation to Notes listed on the Luxembourg Stock Exchange, this Offering Circular is valid for one year from the date hereof.*

*Each Series (as defined on page 7) of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a "Temporary Global Note") or a permanent global note in bearer form (each a "Permanent Global Note"). Notes in registered form will be represented by registered certificates (each a "Certificate"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Global Notes and Certificates may (or in the case of Notes listed on the Luxembourg Stock Exchange will) be deposited on the issue date with a common depository on behalf of Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "Summary of Provisions Relating to the Notes while in Global Form".*

*The Programme is rated by Moodys Investors Service Limited ("Moody's"). Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. For more details see page 49 of this Offering Circular.*

*As more fully set out in "Italian Taxation" on page 92, payments of interest, premium (if any) and other amounts relating to the Notes qualifying as bonds (obbligazioni) or securities similar to bonds (titoli similari alle obbligazioni) issued by the Bank (or an Issuing Subsidiary which is an Italian bank or an Italian company the shares of which are listed on an Italian stock exchange) are subject in principle to a 12.5 per cent. substitutive tax (referred to as imposta sostitutiva) in certain circumstances.*

*In order to obtain exemption at source from imposta sostitutiva in respect of payments of interest, premium (if any) or other amounts relating to the Notes, each Noteholder not resident in the Republic of Italy is required to certify that such Noteholder is (i) deemed to be resident in a country which allows for a satisfactory exchange of information and which is not a tax haven (as listed in Ministerial Decree of 23<sup>rd</sup> January, 2002, as amended from time to time), (ii) subject to taxation in its country of residence and (iii) the beneficial owner of payments of interest, premium or other amounts relating to the Notes, all as more fully set out in "Italian Taxation" on page 92.*

*Notes with an original maturity of less than 18 months issued by the Bank (or an Issuing Subsidiary which is an Italian company) are subject to a withholding tax at the rate of 27 per cent. per annum in respect of interest, premium (if any) and other amounts, pursuant to Italian Presidential Decree No. 600 of 29<sup>th</sup> September, 1973 as amended, subject to certain conditions. The relevant Issuer will not be liable to pay any additional amounts to Noteholders in relation to any such withholding or imposta sostitutiva.*

#### **Arranger**

**ABN AMRO**

#### **Dealers**

**ABAXBANK – Banca d'Investimento S.p.A.**

**Banca IMI S.p.A.**

**Citigroup**

**Interbanca S.p.A.**

**MPS Finance Banca Mobiliare S.p.A.**

**UBM – UniCredit Banca Mobiliare**

**ABN AMRO**

**BNP PARIBAS**

**Deutsche Bank**

**JPMorgan**

**UBS Investment Bank**

**WestLB AG**

*This Offering Circular replaces the Offering Circular dated 22<sup>nd</sup> April, 2002 and accordingly supersedes such earlier Offering Circular.*

Interbanca S.p.A. having made all reasonable enquiries confirms that this document contains all information with respect to Interbanca S.p.A. and its subsidiaries and affiliates taken as a whole (the “Group”) and the Notes that is material in the context of the issue and offering of the Notes, the statements contained in it relating to Interbanca S.p.A. (including those made in respect of its parent company, Banca Antonveneta) and the Group are in every material respect true and accurate and not misleading, the opinions and intentions expressed in this Offering Circular with regard to Interbanca S.p.A. and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts in relation to Interbanca S.p.A., the Group or the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular misleading in any material respect and all reasonable enquiries have been made by Interbanca S.p.A. to ascertain such facts and to verify the accuracy of all such information and statements.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by Interbanca S.p.A., the other Issuers or any of the Dealers or the Arranger (as defined in “Summary of the Programme”). Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of Interbanca S.p.A. or the other Issuers since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of Interbanca S.p.A. or the other Issuers since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Offering Circular and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by Interbanca S.p.A., the other Issuers, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and include Notes in bearer form that 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. There are further restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United Kingdom, the Republic of Italy and Japan. For a description of certain restrictions on offers and sales of Notes and on distribution of this Offering Circular, see “Subscription and Sale”.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of Interbanca S.p.A., the other Issuers or the Dealers to subscribe for, or purchase, any Notes.

The Arranger and the Dealers have not separately verified the information contained in this Offering Circular. None of the Dealers or the Arranger makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. Neither this Offering Circular nor any financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of Interbanca S.p.A., the Arranger or the Dealers that any recipient of this Offering Circular or any financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of Interbanca S.p.A. or any of the Issuers during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

In connection with any Tranche (as defined in “Summary of the Programme”), one of the Dealers will act as a stabilising agent (the “Stabilising Agent”). The identity of the Stabilising Agent will be disclosed in the relevant Pricing Supplement. References in the next paragraph to “this issue” are to each Tranche in relation to which a Stabilisation Agent is appointed.

In connection with this issue, the Stabilising Agent or any person acting for him may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Agent or any

agent of his to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to “\$”, “U.S.\$” and “dollars” are to the currency of the United States of America and references to “Euro”, “euro”, “EUR” and “€” are to the currency introduced at the start of the third stage of Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended, including as amended by the Treaty on European Union (the “EU Treaty”) and as amended by The Treaty of Amsterdam.

Unless otherwise indicated, the financial information contained in this Offering Circular has been prepared in accordance with the accounting principles prescribed by Italian Law (including Legislative Decree No. 87 of January, 1992 which implemented EC Directive No. 86/835) and the Bank of Italy regulations of 30<sup>th</sup> July, 2002, and supplemented by the accounting principles issued by the Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri or in absence thereof, by the International Accounting Standards Board (collectively, “Italian Gaap”).

Unless otherwise indicated, any reference in this Offering Circular to “Non Consolidated Financial Statements” is to the non-consolidated financial statements of the Issuer as of and for the years ended 31<sup>st</sup> December 2000, 2001 and 2002 audited by KPMG S.p.A, independent accountants. The non-consolidated financial statements are denominated in Euro.

Interbanca S.p.A. may, from time to time, enter into loan transactions evidenced by *Schuldscheine* (certificates of indebtedness) with lenders who may or may not be Dealers under the Programme. The form of *Schuldschein* to be employed by Interbanca S.p.A. for such purpose is annexed to this Offering Circular but does not form part of the Programme and is included herein for information purposes only.

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## DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with each relevant Pricing Supplement, any Supplemental Offering Circular prepared in accordance with the following section, the most recently published audited annual consolidated and non-consolidated financial statements, and any interim financial statements (whether audited or unaudited) published subsequently to such annual accounts, of the Bank from time to time, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents. The non-consolidated financial statements of the Bank in respect of the years ended 31<sup>st</sup> December, 2000, 2001 and 2002 are also deemed to be incorporated in, and to form part of, this Offering Circular. See “General Information” for a description of the financial statements currently published by the Issuer.

The Bank will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the oral or written request of such person, a copy of any or all of the documents which are incorporated herein by reference. Written or oral requests for such documents should be directed to the Bank at its registered office set out at the end of this Offering Circular. In addition, such documents will be available free of charge from the principal office in London of Citibank, N.A. in its capacity as Agent (and, if and for so long as any Notes are listed on the Luxembourg Stock Exchange, from the principal office in Luxembourg of Dexia – Banque Internationale à Luxembourg S.A. (the “Luxembourg Listing Agent”)).

This Offering Circular and any supplement will only be valid for listing Notes on the Luxembourg Stock Exchange and/or any other exchange in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed Euro 3,000,000,000 or its equivalent in other currencies. For the purpose of calculating the aggregate nominal amount of Notes issued under the Programme from time to time:

- (a) the Euro equivalent of the nominal amount of Notes denominated in a currency other than Euro (which, in the case of Dual Currency Notes, shall be the currency in which the subscription moneys are received by the relevant Issuer) shall be determined on the basis of the spot rate for the sale of the Euro against the purchase of the relevant currency in the London foreign exchange market quoted by any leading bank selected by the relevant Issuer at any time selected by the relevant Issuer during the five day period ending on the date of the agreement to issue such Notes;
- (b) the premium of Notes issued at a premium shall be added to their nominal amount;
- (c) the nominal amount of Notes issued at a discount as at any time shall equal their nominal amount or, if defined and provided for in the Conditions of such Notes, their Amortised Face Amount as at such time; and
- (d) the nominal amount of Partly Paid Notes as at any time shall equal the amount of subscription moneys paid up as at such time.

## SUPPLEMENTAL OFFERING CIRCULAR

Interbanca S.p.A. has given an undertaking to the Dealers in connection with the listing of Notes on the Luxembourg Stock Exchange or any other stock exchange specified in the relevant Pricing Supplement (and each other Issuer will be required to give such an undertaking in relation to Notes issued by it), that if at any time during the duration of the Programme there is a significant change affecting any matter contained in this Offering Circular whose inclusion would reasonably be required by investors and their professional advisers, and would reasonably be expected by them to be found in this Offering Circular, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of Interbanca S.p.A. or such other Issuer, and the rights attaching to the Notes, Interbanca S.p.A. or such other Issuer shall prepare an amendment or supplement to this Offering Circular or publish a replacement Offering Circular for use in connection with any subsequent offering of the Notes and shall supply to each Dealer and the Luxembourg Stock Exchange such number of copies of such supplement hereto as such Dealer may reasonably request.

Before it issues any Notes under the Programme, any Issuing Subsidiary will issue (and file with the Luxembourg Stock Exchange) a supplement to this Offering Circular including the following information in relation to it:

- name, registered office and address of its principal administrative office (if different);

- the date of its incorporation;
- the country of incorporation, legislation, legal form and duration (unless unlimited);
- details of its authorised and issued share capital, including denominations;
- description of its business;
- summary of its latest available annual and interim financial statements (which shall be available in Luxembourg);
- its capitalisation statement;
- the date of the most recent publicly available Annual Reports and Accounts (if any) of such Issuing Subsidiary incorporated by reference and details of any interim reports and accounts which it makes publicly available; and
- such other information as is required from time to time pursuant to the rules of the Luxembourg Stock Exchange.

## SUMMARY OF THE PROGRAMME

*The following summary is qualified in its entirety by the remainder of this Offering Circular.*

**Issuer:** Interbanca S.p.A. or an Issuing Subsidiary. Notes issued by an Issuing Subsidiary will have the benefit of a guarantee from the Guarantor.

**Issuing Subsidiaries:** Any subsidiary of Interbanca S.p.A. which has been appointed by Interbanca S.p.A. as an “Issuing Subsidiary” for the purposes of the Programme and which has entered into all necessary supplemental documentation required by the Agency Agreement and the Dealer Agreement.

**Guarantor in respect of Notes issued by Issuing Subsidiaries:** Interbanca S.p.A.

**Description:** Debt Issuance Programme

**Size:** Up to Euro 3,000,000,000 (or the equivalent in other currencies at the date of issue) nominal 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.

**Arranger:** ABN AMRO Bank N.V.

**Dealers:** ABAXBANK – Banca d’Investimento S.p.A.  
ABN AMRO Bank N.V.  
Banca IMI S.p.A.  
BNP PARIBAS.  
Citigroup Global Markets Limited  
Deutsche Bank AG London  
Interbanca S.p.A.  
J.P. Morgan Securities Ltd.  
MPS Finance Banca Mobiliare S.p.A.  
UBS Limited  
UniCredit Banca Mobiliare S.p.A.  
WestLB AG

The Bank may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to “Permanent Dealers” are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to “Dealers” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.

**Fiscal Agent:** Citibank, N.A.

**Method of Issue:** The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “Series”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “Tranche”) on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in a pricing supplement to this Offering Circular (a “Pricing Supplement”).



<b>Issue Price:</b>	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
<b>Distribution:</b>	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
<b>Form of Notes:</b>	The Notes may be issued in bearer form only (“Bearer Notes”), in bearer form exchangeable for Registered Notes (“Exchangeable Bearer Notes”) or in registered form only (“Registered Notes”). Each Tranche of Bearer Notes and Exchangeable Bearer Notes will be represented on issue by a Temporary Global Note if (i) Definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in “Summary of the Programme — Selling Restrictions”), otherwise such Tranche will be represented by a Permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as “Global Certificates”.
<b>Clearing Systems:</b>	Clearstream, Luxembourg, Euroclear and/or, in relation to any Tranche, such other clearing system as may be agreed between the relevant Issuer, the Fiscal Agent and the relevant Dealer(s).
<b>Initial Delivery of Notes:</b>	On or before the issue date for each Tranche, the Global Note representing Bearer Notes or Exchangeable Bearer Notes or the Certificate representing Registered Notes may (or, in the case of Notes listed on the Luxembourg Stock Exchange, shall) be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Global Notes or Certificates relating to Notes that are not listed on the Luxembourg Stock Exchange may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the relevant Issuer, the Fiscal Agent and the relevant Dealer(s). Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.
<b>Currencies:</b>	<p>Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the relevant Issuer, the Guarantor (in the case of Notes issued by an Issuing Subsidiary) and the relevant Dealer(s).</p> <p>Issues of Notes denominated in Swiss francs or carrying a Swiss franc related element with a maturity of more than one year (other than Notes privately placed with a single investor with no publicity) will be effected in compliance with the relevant regulations of the Swiss National Bank based on article 7 of the Federal Law on Banks and Savings Banks of 8<sup>th</sup> November, 1934 (as amended) and article 15 of the Federal Law on Stock Exchanges and Securities Trading of 24<sup>th</sup> March, 1995 in connection with article 2, paragraph 2 of the Ordinance of the Federal Banking Corporation on Stock Exchanges and Securities Trading of 2<sup>nd</sup> December, 1996.</p> <p>Under the said regulations, the relevant Dealer or, in the case of a syndicated issue the lead manager (the “Swiss Dealer”), must be a bank domiciled in Switzerland (which includes branches or subsidiaries of a foreign bank located in Switzerland) or a securities dealer duly licensed</p>



by the Swiss Federal Banking Commission as per the Federal Law on Stock Exchanges and Securities Trading of 24<sup>th</sup> March, 1995. The Swiss Dealer must report certain details of the relevant transaction to the Swiss National Bank no later than the relevant issue date for such a transaction.

**Maturities:**

Subject to compliance with all relevant laws, regulations and directives, any maturity between one month and 30 years. Unless otherwise permitted by the current laws, regulations and directives, Subordinated Notes will have a maturity of not less than 5 years.

**Denomination:**

In the case of Notes issued by the Issuer or by an Issuing Subsidiary which is an authorised person for the purposes of section 19 of the UK Financial Services and Markets Act 2000 (the “FSMA”), Definitive Notes will be in such denominations as may be specified in the relevant Pricing Supplement.

In the case of Notes issued by an Issuing Subsidiary which is not an authorised person for the purposes of section 19 of the FSMA and which is not carrying on or deemed to be carrying on a regulated activity in the United Kingdom for the purposes of the FSMA, Definitive Notes will be in such denominations as may be specified in the relevant Pricing Supplement, save that unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuing Subsidiary in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination of £100,000 (or its equivalent in other currencies).

In the case of Notes issued by an Issuing Subsidiary which is not an authorised person for the purposes of section 19 of the FSMA and which is carrying on or deemed to be carrying on a regulated activity in the United Kingdom for the purposes of the FSMA, Definitive Notes will be in such denominations as may be specified in the relevant Pricing Supplement, save that unless otherwise permitted by then current laws and regulations, Notes which have a maturity of less than one year will have a minimum denomination of £100,000 (or its equivalent in other currencies).

**Fixed Rate Notes:**

Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Pricing Supplement. Interest will be calculated on such basis as is specified in the relevant Pricing Supplement.

**Floating Rate Notes:**

Floating Rate Notes will bear interest determined separately for each Series as follows:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
- (ii) by reference to EURIBOR, Euro LIBOR or such other benchmark as may be specified in the relevant Pricing Supplement as adjusted for any applicable margin.

Interest periods and the margin (if any) relating to any Floating Rate Notes will be specified in the relevant Pricing Supplement.

<b>Zero Coupon Notes:</b>	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.
<b>Dual Currency Notes:</b>	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange as may be specified in the relevant Pricing Supplement.
<b>Index Linked Notes:</b>	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the relevant Pricing Supplement.
<b>Interest Periods and Interest Rates:</b>	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.
<b>Redemption Amount:</b>	The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable, which may be by reference to a stock index or formula or as otherwise provided in the relevant Pricing Supplement.
<b>Redemption by Instalments:</b>	The Pricing Supplement issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.
<b>Other Notes:</b>	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, Partly Paid Notes and any other type of Note that the relevant Issuer and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Pricing Supplement.
<b>Optional Redemption:</b>	<p>The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the relevant Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.</p> <p>Under applicable laws and regulations at the date of this Offering Circular, Subordinated Notes may not be repaid (other than for taxation reasons (subject to the prior approval of the Bank of Italy) or following an Event of Default) prior to five years from the relevant Issue Date.</p>
<b>Guarantee and Status of Notes:</b>	Senior Notes and the guarantee in respect of the Senior Notes (in the case of Senior Notes issued by an Issuing Subsidiary) will constitute unsubordinated and unsecured obligations of the relevant Issuer (or, as the case may be, the Guarantor) and Subordinated Notes and the guarantee in respect of the Subordinated Notes (in the case of Subordinated Notes issued by an Issuing Subsidiary) will constitute subordinated obligations of the relevant Issuer (or, as the case may be, the Guarantor) all as described in “Terms and Conditions of the Notes — Guarantee and Status”.
<b>Negative Pledge:</b>	Applicable to Senior Notes only. See “Terms and Conditions of the Notes — Negative Pledge”.
<b>Cross Default:</b>	Applicable to Senior Notes only. See “Terms and Conditions of the Notes — Events of Default”.

<b>Early Redemption:</b>	Except as provided in “Optional Redemption” above, Notes will be redeemable at the option of the relevant Issuer prior to maturity only for tax reasons. See “Terms and Conditions of the Notes — Redemption, Purchase and Options”.
<b>Withholding Tax:</b>	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the Republic of Italy, and any other Relevant Jurisdiction (in the case of Notes issued by an Issuing Subsidiary) subject to customary exceptions (including the IPMA Standard EU Exception), all as described in “Terms and Conditions of the Notes — Taxation” and “Italian Taxation”.
<b>Governing Law:</b>	English (except for Condition 3(d) which shall be governed by Italian Law). See “Terms and Conditions of the Notes — Governing Law and Jurisdiction”.
<b>Rating:</b>	The Programme is rated by Moody’s Investors Service Limited (“Moody’s”). Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.
<b>Listing:</b>	The Luxembourg Stock Exchange or as otherwise specified in the relevant Pricing Supplement. As specified in the relevant Pricing Supplement, a Series of Notes may be unlisted.
<b>Selling Restrictions:</b>	<p>United States, United Kingdom, Republic of Italy, Japan. See “Subscription and Sale”.</p> <p>The Bank is Category 2 for the purposes of Regulation S under the United States Securities Act of 1933, as amended.</p> <p>The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the “D Rules”) unless (i) the relevant Pricing Supplement states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the “C Rules”) or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”), which circumstances will be referred to in the relevant Pricing Supplement as a transaction to which TEFRA is not applicable.</p>
<b>Rule 144A:</b>	Offers and sales in accordance with Rule 144A under the United States Securities Act of 1933, as amended, will be permitted if specified in the relevant Pricing Supplement subject to compliance with all relevant legal and regulatory requirements of the United States of America.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. 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.*

The Notes are issued pursuant to an amended and restated agency agreement dated 22<sup>nd</sup> April, 2002, as supplemented from time to time (the “**Agency Agreement**”) between Interbanca S.p.A., Citibank, N.A. as fiscal agent and the other agents named in it and with the benefit of an amended and restated deed of covenant (as amended or supplemented as at the Issue Date, the “**Deed of Covenant**”) dated 22<sup>nd</sup> April, 2002 executed by Interbanca S.p.A. in relation to the Notes. Interbanca S.p.A. has the right to specify one or more subsidiaries as Issuing Subsidiaries which, upon execution of any supplemental documentation required by the Agency Agreement and an amended and restated dealer agreement dated 22<sup>nd</sup> April, 2002 as amended and supplemented by the first supplemental dealer agreement dated 27<sup>th</sup> June, 2003 (as further amended and/or supplemented from time to time, the “**Dealer Agreement**”) may issue Notes, such Notes being guaranteed by Interbanca S.p.A. (in such capacity the “**Guarantor**”). The fiscal agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Fiscal Agent**”, the “**Paying Agents**” (which expression shall include the Fiscal Agent), the “**Registrar**”, the “**Transfer Agents**” and the “**Calculation Agent(s)**”. The Noteholders (as defined below), the holders of the interest coupons (the “**Coupons**”) appertaining to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “**Talons**”) (the “**Couponholders**”) and the holders of the receipts for the payment of instalments of principal (the “**Receipts**”) relating to Notes in bearer form of which the principal is payable in instalments are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

Notes issued by an Issuing Subsidiary have the benefit of a guarantee (the “**Guarantee**”) by the Guarantor pursuant to a deed of guarantee in respect of Senior Notes (as defined in Condition 3) issued on a guaranteed basis (the “**Senior Guarantee**”) or, as the case may be, a deed of guarantee in respect of Subordinated Notes (as defined in Condition 3) issued on a guaranteed basis (the “**Subordinated Guarantee**”). Reference in these Conditions to “**Deed of Guarantee**” shall mean the Senior Guarantee or the Subordinated Guarantee, as the context may require. In the case of Notes issued by the Bank all references to the “Guarantor”, the “Guarantee”, the “Senior Guarantee”, the “Subordinated Guarantee”, the “Deed of Guarantee” and the “Relevant Jurisdiction” (as defined in Condition 5(j)) in these Conditions are not applicable.

Copies of the Agency Agreement, the Deed of Covenant and the Deed of Guarantee are available for inspection at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents.

### **1 Form, Denomination and Title**

The Notes are issued in bearer form (“**Bearer Notes**”, which expression includes Notes that are specified to be Exchangeable Bearer Notes), in registered form (“**Registered Notes**”) or in bearer form exchangeable for Registered Notes (“**Exchangeable Bearer Notes**”) in each case in the Specified Denomination(s) shown hereon.

*All Registered Notes shall have the same Specified Denomination. Where Exchangeable Bearer Notes are issued, the Registered Notes for which they are exchangeable shall have the same Specified Denomination as the lowest denomination of Exchangeable Bearer Notes.*

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, Talons) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after

the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, “**Noteholder**” means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), “**holder**” (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

## **2 Exchanges of Exchangeable Bearer Notes and Transfers of Registered Notes**

- (a) **Exchange of Exchangeable Bearer Notes:** Subject as provided in Condition 2(f), Exchangeable Bearer Notes may be exchanged for the same nominal amount of Registered Notes at the request in writing of the relevant Noteholder and upon surrender of each Exchangeable Bearer Note to be exchanged, together with all unmatured Receipts, Coupons and Talons relating to it, at the specified office of any Transfer Agent; provided, however, that where an Exchangeable Bearer Note is surrendered for exchange after the Record Date (as defined in Condition 7(b)) for any payment of interest, the Coupon in respect of that payment of interest need not be surrendered with it. Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes that are not Exchangeable Bearer Notes may not be exchanged for Registered Notes.
- (b) **Transfer of Registered Notes:** One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor.
- (c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer’s or Noteholders’ option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.
- (d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(a), (b) or (c) shall be available for delivery within three business days of receipt of the request for exchange, form of transfer or Exercise Notice (as defined in Condition 6(e)) and/or surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Exercise Notice or



otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent (as defined in the Agency Agreement) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition (d), “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

- (e) **Exchange Free of Charge:** Exchange and transfer of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).
- (f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered or an Exchangeable Bearer Note to be exchanged for one or more Registered Note(s) (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date. An Exchangeable Bearer Note called for redemption may, however, be exchanged for one or more Registered Note(s) in respect of which the Certificate is simultaneously surrendered not later than the relevant Record Date.

### 3 Guarantee and Status

- (a) **Senior Guarantee:** The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by any Issuing Subsidiary under the Senior Notes issued by such Issuing Subsidiary, and the relative Receipts and Coupons. Its obligations in that respect are contained in the Senior Guarantee.
- (b) **Status of Senior Notes and Guarantee:** The Senior Notes (being those Notes that specify their status as Senior) and the Receipts and Coupons relating to them constitute (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Senior Notes and the Receipts and Coupons relating to them and of the Guarantor under the Guarantee in respect of such Senior Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer and the Guarantor respectively present and future.
- (c) **Subordinated Guarantee:** The Guarantor has irrevocably and (subject as provided in the Subordinated Guarantee) unconditionally guaranteed the due payment of all sums expressed to be payable by any Issuing Subsidiary under the Subordinated Notes issued by such Issuing Subsidiary and the relative Receipts and Coupons on a subordinated basis. Its obligations in that respect are contained in the Deed of Guarantee.
- (d) **Status of Subordinated Notes:** The Subordinated Notes (being those Notes that specify their status as Subordinated) and the Receipts and Coupons relating to them constitute subordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The Issuer shall treat all Subordinated Notes comprised in each Series equally so that 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. In the event of the bankruptcy, dissolution or winding up (including, without limitation, under Italian laws of *liquidazione*) (collectively referred to in this Condition as the “winding-up”) of the Issuer, (i) the payment obligations of the Issuer under the Subordinated Notes and the Receipts and Coupons relating to them shall rank in right of payment after unsubordinated, unsecured creditors (including depositors) of the Issuer but at least *pari passu* with all other present and future subordinated obligations of the Issuer that are not expressed by their terms to rank junior to the Subordinated Notes and in priority to the claims of shareholders of the Issuer and (ii) the Issuer shall, to the extent required to make payment in respect of the Subordinated Notes and the Receipts and Coupons relating to them, make payment only of such amounts as would have been payable if the holders of the outstanding Subordinated Notes and the Receipts and Coupons relating to them had, on the day immediately preceding the date of the commencement of the winding-up of the Issuer, become shareholders of the Issuer of a class of shares having a right to receive (*pari passu* with the holders of any other class or classes of securities which, following the issue of the Subordinated Notes, may be issued by the Issuer, subordinated on a similar basis) in a winding-up of the Issuer (in priority to the holders

of all other classes of shares in the Issuer, issued or to be issued) an amount equal to the redemption moneys which would have been payable in respect of the Subordinated Notes if the Subordinated Notes had been redeemed on the date upon which the holders thereof are treated pursuant to this Condition as having become shareholders of the Issuer together with interest expressed to be payable in respect of the Subordinated Notes up to but excluding the date upon which the holders thereof are treated as having become shareholders of the Issuer pursuant to this Condition.

#### 4 Negative Pledge

- (a) **Restriction:** So long as any of the Senior Notes, Receipts or Coupons remain outstanding (as defined in the Agency Agreement):
- (i) neither the Issuer nor the Guarantor shall create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest (“**Security**”) upon the whole or any part of its undertaking, assets or revenues present or future to secure any Relevant Debt, or any guarantee of or indemnity in respect of any Relevant Debt;
  - (ii) each of the Issuer and the Guarantor shall procure that no other person creates or permits to subsist any Security upon the whole or any part of the undertaking, assets or revenues present or future of that other person to secure (x) any of the Issuer’s or, as the case may be, the Guarantor’s Relevant Debt or any guarantee of or indemnity in respect of any of the Issuer’s or, as the case may be, the Guarantor’s Relevant Debt or (y) where the person in question is a Principal Subsidiary (as defined in the Agency Agreement), if any, of the Issuer or, as the case may be, the Guarantor, any of the Relevant Debt of any person other than that Principal Subsidiary, or any guarantee of or indemnity in respect of any such Relevant Debt; and
  - (iii) each of the Issuer and the Guarantor shall procure that no other person gives any guarantee of, or indemnity in respect of, any of its Relevant Debt unless, at the same time or prior thereto, the Issuer’s obligations under the Senior Notes, Receipts and Coupons or, as the case may be, the Guarantor’s obligations under the Senior Guarantee (A) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (B) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Senior Noteholders.
- (b) **Relevant Debt:** For the purposes of this Condition, “**Relevant Debt**” means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other securities that are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, automated trading system, over-the-counter or other securities market.

#### 5 Interest and other Calculations

- (a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date.

If a Fixed Coupon Amount is specified hereon, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified hereon.

- (b) **Interest on Floating Rate Notes and Index Linked Interest Notes:**

- (i) *Interest Payment Dates:* Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Specified Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.
- (ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day



Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

- (iii) *Rate of Interest for Floating Rate Notes*: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.
- (A) ISDA Determination for Floating Rate Notes: Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as the rate equal to the relevant ISDA Rate plus or minus (as indicated hereon) the Margin (if any). For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (x) the Floating Rate Option is as specified hereon;
  - (y) the Designated Maturity is a period specified hereon; and
  - (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), “Floating Rate”, “Calculation Agent”, “Floating Rate Option”, “Designated Maturity”, “Reset Date” and “Swap Transaction” have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent at or about the Relevant Time on the Interest Determination Date in respect of such Interest Accrual Period in accordance with the following:

- (x) if the Primary Source for Floating Rate is a Page, subject as provided below, the Rate of Interest shall be:
  - (I) the Relevant Rate (where such Relevant Rate on such Page is a composite quotation or is customarily supplied by one entity); or
  - (II) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Page, in each case appearing on such Page at the Relevant Time on the Interest Determination Date;
- (y) if the Primary Source for the Floating Rate is Reference Banks or if sub-paragraph (x)(I) applies and no Relevant Rate appears on the Page at the Relevant Time on the Interest Determination Date or if sub-paragraph (x)(II) applies and fewer than two Relevant Rates appear on the Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the arithmetic mean of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at the Relevant Time on the Interest Determination Date, as determined by the Calculation Agent; and
- (z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are so quoting Relevant Rates, subject as provided below, the Rate of Interest

shall be the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation Agent determines to be the rates (being the nearest equivalent to the Benchmark) in respect of a Representative Amount of the Specified Currency that at least two out of five leading banks selected by the Calculation Agent in the principal financial centre of the country of the Relevant Currency or, if the Relevant Currency is Euro, in Europe, as selected by the Calculation Agent (the “Principal Financial Centre”) are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the Effective Date for a period equivalent to the Specified Duration (I) to leading banks carrying on business in Europe, or (if the Relevant Currency is not Euro and the Calculation Agent determines that fewer than two of such banks are so quoting to leading banks in Europe) (II) to leading banks carrying on business in the Principal Financial Centre; except that, if fewer than two of such banks are so quoting to leading banks in Europe (or, if the Relevant Currency is not Euro, in the Principal Financial Centre), the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date (after readjustment for any difference between any Margin, Rate Multiplier or Maximum or Minimum Rate of Interest applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period).

- (iv) *Rate of Interest for Index Linked Interest Notes:* The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.
- (c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as defined in Condition 6(b)(i)).
- (d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.
- (e) **Partly Paid Notes:** In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.
- (f) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).
- (g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts, Rate Multipliers and Rounding:**
- (i) If any Margin or Rate Multiplier is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin or multiplying by such Rate Multiplier, subject always to the next paragraph;
- (ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be;
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “unit”

means, with respect to any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and with respect to Euro, means 0.01 Euro.

(h) **Calculations:**

The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Rate of Interest and the outstanding nominal amount of such Note by the Day Count Fraction, unless an Interest Amount (as defined in paragraph (j) below) (or a formula for its calculation) is specified in respect of such period, in which case the amount of interest payable in respect of such Note for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

(i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:**

As soon as practicable after the relevant time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, it shall determine such rate and calculate the Interest Amount in respect of each Specified Denomination of the Notes for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange so require, such exchange as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(j) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“**Accrual Period**” means, in relation to Day Count Fraction below, the actual number of days in the relevant period from and including the Start Date to but excluding the Payment Date.

“**Actual Calculation Period**” means, in relation to Day Count Fraction below, the actual number of days from and including one Interest Period Date to but excluding the next Interest Period Date.

“**Business Day**” means:

- (i) in the case of a currency other than Euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (ii) in the case of Euro, a day on which the TARGET system is operating (a “**TARGET Business Day**”); and/or
- (iii) in the case of a currency and/or one or more Additional Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such

currency in the Additional Business Centre(s) or, if no currency is indicated, generally in each of the Additional Business Centres.

**“Day Count Fraction”** means, in respect of the calculation of an amount of interest on any Note for any period of time (whether or not constituting an Interest Period, the **“Calculation Period”**):

- (i) if **“Actual/365”** or **“Actual/Actual — ISDA”** is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that 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);
- (ii) if **“Actual/365 (Fixed)”** is specified hereon, the actual number of days in the Calculation Period divided by 365;
- (iii) if **“Actual/360”** is specified hereon, the actual number of days in the Calculation Period divided by 360;
- (iv) if **“30/360”**, **“360/360”** or **“Bond Basis”** is specified hereon, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Calculation Period is the 31<sup>st</sup> day of a month but the first day of the Calculation Period is a day other than the 30<sup>th</sup> or 31<sup>st</sup> day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));
- (v) if **“30E/360”** or **“Eurobond Basis”** is specified hereon, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); and
- (vi) if **“Actual/Actual-ISMA”** is specified hereon,
  - (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
  - (b) if the Calculation Period is longer than one Determination Period, the sum of:
    - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods in any year; and
    - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year.

where:

**“Determination Period”** means the period from and including a Determination Date in any year to but excluding the next Determination Date.

**“Effective Date”** means, with respect to any Floating Rate to be determined on an Interest Determination Date, the date specified as such hereon or, if none is so specified, the first day of the Interest Accrual Period to which such Interest Determination Date relates.

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

**“Interest Amount”** means the amount of interest payable, and in the case of Fixed Rate Notes, means the Fixed Coupon Amount or Broken Amount, as the case may be, and in the case of Index Linked Interest Notes, includes the Coupon.

**“Interest Commencement Date”** means the Issue Date or such other date as may be specified hereon.

**“Interest Determination Date”** means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor Euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Relevant Currency is Euro.

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

**“Interest Period Date”** means each Interest Payment Date unless otherwise specified hereon.

**“ISDA Definitions”** means the 2000 ISDA Definitions published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

**“Number of Actual Calculation Periods”** means, in relation to Day Count Fraction above, the number of Actual Calculation Periods normally ending in any year.

**“Page”** means such page, section, caption, column or other part of a particular information service (including, but not limited to, the Reuter Monitor Money Rates Service (“**Reuters**”) and the Dow Jones Telerate Service (“**Telerate**”)) as may be specified for the purpose of providing a Relevant Rate, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to that Relevant Rate.

**“Payment Date”** means, in relation to Day Count Fraction above, the date on which interest for the relevant period falls due.

**“Rate of Interest”** means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

**“Reference Banks”** means the institutions specified as such hereon or, if none, four major banks selected by the Calculation Agent in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the Benchmark (which, if EURIBOR is the relevant Benchmark, shall be Europe).

**“Relevant Financial Centre”** means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the financial centre as may be specified as such hereon or, if none is so specified, the financial centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR shall be Europe) or, if none is so connected, London.

**“Relevant Jurisdiction”** means the jurisdiction in which the Issuer or, as the case may be, the Guarantor, is incorporated and/or in which the Issuer or, as the case may be, the Guarantor is resident for tax purposes and/or to which it is subject for tax purposes and/or in which it maintains a permanent establishment.

**“Relevant Rate”** means the Benchmark for a Representative Amount of the Specified Currency for a period (if applicable or appropriate to the Benchmark) equal to the Specified Duration commencing on the Effective Date.

**“Relevant Time”** means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified hereon or, if no time is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Specified Currency in the interbank market in the Relevant Financial Centre and for this purpose “local time” means, with respect to Europe as a Relevant Financial Centre, Central European Time.



**“Representative Amount”** means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the amount specified as such hereon or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time.

**“Specified Currency”** means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated **“Specified Duration”** means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the duration specified hereon or, if none is specified, a period of time equal to the relative Interest Accrual Period, ignoring any adjustment pursuant to Condition 5(b)(ii).

**“Start Date”** means, in relation to Day Count Fraction above, the date from which interest for the relevant period begins to accrue.

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

- (k) **Calculation Agent and Reference Banks:** The Issuer shall procure that there shall at all times be four Reference Banks (or such other number as may be required) with offices in the Relevant Financial Centre and one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Agency Agreement). If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer shall appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

## **6 Redemption, Purchase and Options**

### **(a) Redemption by Instalments and Final Redemption:**

- (i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6 or the relevant Instalment Date (being one of the dates so specified hereon) is extended pursuant to any Issuer’s or Noteholder’s option in accordance with Condition 6(d) or 6(e), each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused on presentation of the related Receipt, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.
- (ii) Unless previously redeemed, purchased and cancelled as provided below or its maturity is extended pursuant to any Issuer’s or Noteholder’s option in accordance with Condition 6(d) or 6(e), each Note shall be finally redeemed on the Maturity Date specified at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

### **(b) Early Redemption:**

- (i) Zero Coupon Notes:
- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

- (ii) Other Notes: The Early Redemption Amount payable in respect of any Note (other than Zero Coupon Notes), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.
- (c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, (but subject to consent thereto having been obtained from the Bank of Italy or the relevant banking supervisory authority applicable to the Issuer specified in the Pricing Supplement in the case of Subordinated Notes) on any Interest Payment Date or, if so specified hereon, at any time, 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 (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer or, if the Senior Guarantee in the case of Senior Notes, or the Subordinated Guarantee, in the case of Subordinated Notes, were called, the Guarantor has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or the Relevant Jurisdiction 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, which change or amendment becomes effective on or after the Issue Date, and (ii) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor, taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor, would be obliged to pay such additional amounts were a payment in respect of the Notes (or either Guarantee) then due. Before the publication of any notice of redemption pursuant to this paragraph, the Issuer, or as the case may be, the Guarantor shall deliver to the Fiscal Agent a certificate signed by two Directors of the Issuer or, as the case may be, the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment.
- (d) **Redemption at the Option of the Issuer and Exercise of Issuer's Options:** If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem, or exercise any Issuer's option (as may be described hereon) in relation to, all or, if so provided, some, of the Notes on any Optional Redemption Date or Option Exercise Date, as the case may be. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the minimum nominal amount to be redeemed specified hereon and no greater than the maximum nominal amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice in accordance with this Condition.



In the case of a partial redemption or a partial exercise of an Issuer's option, the notice to Noteholders shall also contain the certificate numbers of the Notes to be redeemed or in respect of which such option has been exercised, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange requirements. So long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that Stock Exchange so require, the Issuer shall, once in each year in which there has been a partial redemption of the Notes, cause to be published in a leading newspaper of general circulation in Luxembourg a notice specifying the aggregate nominal amount of Notes outstanding and a list of the Notes drawn for redemption but not surrendered.

- (e) **Redemption at the Option of Noteholders and Exercise of Noteholders' Options:** If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option or any other Noteholders' option that may be set out hereon (which must be exercised on an Option Exercise Date) the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

- (f) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.
- (g) **Purchases:** The Issuer, the Guarantor and any of their respective subsidiaries may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price provided that in the case of Subordinated Notes, for any purchase which is for an amount of over 10 per cent. of the nominal amount of the Subordinated Notes issued as a Series under the Programme, the prior written consent of the Bank of Italy is obtained.
- (h) **Cancellation:** All Notes purchased by or on behalf of the Issuer, the Guarantor or any of their respective subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and/or the Guarantor in respect of any such Notes shall be discharged.

## 7 Payments and Talons

- (a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(vi)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a bank in the principal financial centre for such currency or, in the case of Euro, in a city in which banks have access to the TARGET System.
- (b) **Registered Notes**
- (i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

- (ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a bank in the principal financial centre of the country of such currency, subject as provided in paragraph (a) above, and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date and, subject as provided in paragraph (a) above, such payment of interest may be made by transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such currency.
- (c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.
- (d) **Payments Subject to Fiscal Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) **Appointment of Agents:** The Fiscal Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Fiscal Agent, the Paying Agents, the Registrar, Transfer Agents and the Calculation Agent(s) act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. Each of the Fiscal Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agents may resign and the Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes having a specified office in Luxembourg, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) Paying Agents having specified offices in at least two major European cities (including Luxembourg) so long as the Notes are listed on the Luxembourg Stock Exchange, (vi) such other agents as may be required by the rules of any other stock exchange on which the Notes may be listed and (vii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26<sup>th</sup>-27<sup>th</sup> November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

- (f) **Unmatured Coupons and Receipts and unexchanged Talons:**
- (i) Unless the Notes provide that the relative Coupons are to become void upon the due date for redemption of those Notes, Bearer Notes should be surrendered for payment together with all unmaturing Coupons (if any) appertaining thereto, failing which an amount equal to the face value of each missing unmaturing Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmaturing Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

- (ii) If the Notes so provide, upon the due date for redemption of any Bearer Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
- (v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.
- (g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).
- (h) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “**business day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as “Additional Financial Centres” hereon and:
  - (i) (in the case of a payment in a currency other than Euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or
  - (ii) (in the case of a payment in Euro) which is a TARGET Business Day.

## 8 Taxation

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

- (a) in respect of any Note, Receipt or Coupon presented for payment:
  - (i) by or on behalf of a Noteholder or Couponholder who is:
    - (x) entitled to avoid such deduction or withholding (A) by making a declaration of non-residence or other similar claim for exemption or (B) by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union; or
    - (z) liable to such taxes or duties by reason of his having some connection with the Republic of Italy or the Relevant Jurisdiction, other than the mere holding of the Note, Receipt or Coupon; or

- (ii) 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
- (iii) in the Republic of Italy or the Relevant Jurisdiction; or
- (b) in relation to any payment or deduction of any interest, principal or other proceeds of any Note, Receipt or Coupon on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1<sup>st</sup> April, 1996, as amended; or
- (c) in respect of any Note having an original maturity of less than eighteen months where such withholding or deduction is required pursuant to Italian Presidential Decree No. 600 of 29<sup>th</sup> September, 1973, as amended; or
- (d) in relation to payments by the Guarantor, where such withholding or deduction is required pursuant to Italian Presidential Decree No. 600 of 29<sup>th</sup> September, 1973 or where such withholding or deduction is required on account of *imposta sostitutiva* as set out in paragraph (b) above; or
- (e) in respect of any Note where such withholding or deduction is required pursuant to Italian Law Decree No. 512 of 30<sup>th</sup> September, 1983, converted into Law No. 649 of 25<sup>th</sup> November, 1983 (as amended); or
- (f) where such withholding or deduction is imposed pursuant to any legislative decrees implementing Law No. 80 of 7<sup>th</sup> April, 2003; or
- (g) where such withholding or deduction is imposed on a payment to a person resident outside the Republic of Italy or the Relevant Jurisdiction and is required to be made pursuant to any European Union Directive on the taxation of savings adopted by the ECOFIN Council meeting of 26<sup>th</sup>-27<sup>th</sup> November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

As used in these Conditions, “**Relevant Date**” in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) “principal” shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) “interest” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) “principal” and/or “interest” shall be deemed to include any additional amounts that may be payable under this Condition.

## 9 Prescription

Claims against the Issuer and the Guarantor for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

## 10 Events of Default

### (a) In the case of the Subordinated Notes:

This Condition 10(a) applies only to Subordinated Notes and references to “Notes”, “Noteholders” and “Couponholders” in this Condition 10(a) shall be construed accordingly.

- (i) Holders of at least one-fifth in principal amount of the Notes then outstanding may elect to give notice or an Extraordinary Resolution (as defined in the Agency Agreement) of Noteholders may sanction that notice be given to the Issuer that the Notes are, and they shall accordingly immediately become, due and repayable at their Early Redemption Amount together, if appropriate, with accrued interest if the Issuer or the Guarantor is wound-up or dissolved (otherwise than for the purposes of any amalgamation, merger or reconstruction on terms previously approved in writing by an Extraordinary Resolution (as defined in the Agency Agreement)).

- (ii) The holder of any Note may institute proceedings without further notice against the Issuer or the Guarantor to enforce any obligation, condition or provision binding on the Issuer in relation to the Notes.
- (iii) No remedy against the Issuer or the Guarantor other than as specifically provided by this Condition 10(a) shall be available to the Noteholders or Couponholders whether for the recovery of amounts owing in respect of the Notes in respect of any breach by the Issuer or the Guarantor of any of their respective obligations in relation to the Notes or otherwise.

(b) **In the case of the Senior Notes:**

This Condition 10(b) applies only to Senior Notes and references to “Notes” and “Noteholders” in this Condition 10(b) shall be construed accordingly.

If any of the following events (“**Events of Default**”) occurs and is continuing, the holder of any Note may give written notice to the Fiscal Agent at its specified office that such Note is immediately repayable, whereupon the Early Redemption Amount of such Note (as described in Condition 6(b) above) together with accrued interest to the date of payment shall become immediately due and payable, unless such event of default shall have been remedied prior to the receipt of such notice by the Fiscal Agent:

- (i) **Non-Payment:** default is made for more than 14 days (in the case of interest) or seven days (in the case of principal) in the payment on the due date of interest or principal in respect of any of the Notes; 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 or the Guarantor (in the case of Notes issued by any Issuing Subsidiary) does not perform or comply with any one or more of its obligations in the Notes or the relevant Guarantee which default is incapable of remedy or is not remedied within 30 days after notice of such default shall have been given to the Fiscal Agent at its specified office by any Noteholder; or
- (iii) **Cross-Default:** (A) any other present or future indebtedness of the Issuer or the Guarantor, any of their respective Principal Subsidiaries (as defined in the Agency Agreement), if any, or the Guarantor for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (B) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (C) the Issuer, the Guarantor or any of their respective Principal Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (iii) have occurred equals or exceeds Euro 10,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the Euro as quoted by any leading bank on the day on which this paragraph operates); or
- (iv) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer, the Guarantor, or any of their respective Principal Subsidiaries, if any, 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, the Guarantor or any of their respective Principal Subsidiaries, if any, becomes enforceable 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, the Guarantor or any of their respective Principal Subsidiaries, if any, is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debt or 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
- (vii) **Winding-up:** an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer, the Guarantor or any of their respective Principal Subsidiaries, if any, or the Issuer, the Guarantor or any of their respective Principal Subsidiaries, if any, ceases or threatens to cease to carry on all or a substantial part of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms



approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of the Principal Subsidiary are transferred to or otherwise vested in the Issuer or the Guarantor or another of their respective Principal Subsidiaries; or

(viii) **Guarantee:** the Senior Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect (in the case of Notes issued by any Issuing Subsidiary); or

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

## 11 Meeting of Noteholders and Modifications

(a) **Meetings of Noteholders:** The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to take any steps that as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, and/or (viii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, or (ix) to modify or cancel the Senior or Subordinated Guarantee, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

*These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.*

(b) **Modification of Agency Agreement:** The Issuer and the Guarantor shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

## 12 Replacement of Notes, Certificates, Receipts, Coupons and Talons

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange regulations, at the specified office of the Paying Agent in Luxembourg (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

### 13 Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes (so that, for the avoidance of doubt, references in the conditions of such notes to “Issue Date” shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to “Notes” shall be construed accordingly.

### 14 Notices

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes and Registered Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*) and so long as the Notes are listed on the Luxembourg Stock Exchange, in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

### 15 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.

### 16 Governing Law and Jurisdiction

- (a) **Governing Law:** The Notes, the Receipts, the Coupons and the Talons and the Deed of Guarantee are governed by, and shall be construed in accordance with, English law except for Condition 3(d) which shall be governed by, and shall be construed in accordance with Italian law.
- (b) **Jurisdiction:** The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons (“**Proceedings**”) may be brought in such courts. Each of the Issuer and the Guarantor irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the holders of the Notes, Receipts, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).
- (c) **Service of Process:** The Issuer irrevocably appoints Banco Popolare di Verona e Novara scrl, London Branch, located in Bucklersbury House, Walbrook, London EC4N 8EL, United Kingdom as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 14. Nothing shall affect the right to serve process in any manner permitted by law.



## **SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM**

### **Initial Issue of Notes**

Upon the initial deposit of a Global Note with a common depository for Euroclear and Clearstream, Luxembourg (the “Common Depository”) or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depository, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depository may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

### **Relationship of Accountholders with Clearing Systems**

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (an “Alternative Clearing System”) as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be) for his share of each payment made by the relevant Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the relevant Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the relevant Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

### **Exchange**

#### **Temporary Global Notes**

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see “Summary of the Programme-Selling Restrictions”), in whole, but not in part, for the Definitive Notes defined and described below and
- (ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

Each temporary Global Note that is also an Exchangeable Bearer Note will be exchangeable for Registered Notes in accordance with the Conditions in addition to any permanent Global Note or Definitive Notes for which it may be exchangeable and, before its Exchange Date, will also be exchangeable in whole or in part for Registered Notes only.

#### **Permanent Global Notes**

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under “Partial Exchange of Permanent Global Notes”, in part for Definitive Notes or, in the case of (iii) below, Registered Notes:

- (i) by the relevant Issuer giving notice to the Noteholders, the Fiscal Agent of its intention to effect such exchange unless principal in respect of any Notes is not paid when due
- (ii) if the relevant Pricing Supplement provides that such Global Note is exchangeable at the request of the holder, by the holder giving notice to the Fiscal Agent of its election for such exchange
- (iii) if the permanent Global Note is an Exchangeable Bearer Note, by the holder giving notice to the Fiscal Agent of its election to exchange the whole or a part of such Global Note for Registered Notes and

- (iv) otherwise, (1) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or any Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so or (2) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal Agent of its election for such exchange.

### **Permanent Global Certificates**

If the Pricing Supplement states that the Notes are to be represented by a permanent Global Certificate on issue, transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

- (i) if the Notes represented by the Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (ii) if principal in respect of any Notes is not paid when due; or
- (iii) with the consent of the relevant Issuer;

provided that, in the case of the first transfer of part of a holding pursuant to (i) or (ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

### **Partial Exchange of Permanent Global Notes**

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions (1) for Registered Notes if the permanent Global Note is an Exchangeable Bearer Note and the part submitted for exchange is to be exchanged for Registered Notes, or (2) for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

### **Delivery of Notes**

On or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent. In exchange for any Global Note, or the part thereof to be exchanged, the relevant Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be. In this Offering Circular, "Definitive Notes" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the relevant Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

### **Exchange Date**

"**Exchange Date**" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of an exchange for Registered Notes five days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located.

## **Amendment to Conditions**

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions.

### **Payments**

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. Condition 7(e)(vii) and Condition 8(a)(i)(x)(B) will apply to the Definitive Notes only.

### **Prescription**

Claims against the relevant Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

### **Meetings**

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each minimum Specified Denomination of Notes for which such Global Note may be exchanged. (All holders of Registered Notes are entitled to one vote in respect of each Note comprising such Noteholder's holding, whether or not represented by a Global Certificate).

### **Cancellation**

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

### **Purchase**

Notes represented by a permanent Global Note may only be purchased by the relevant Issuer, the Guarantor (in the case of Notes issued by an Issuing Subsidiary) or any of their respective subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

### **Issuer's Option**

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented to a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg, or any other clearing system (as the case may be).

### **Noteholders' Options**

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Fiscal Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating

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

### **Events of Default**

Each Global Note provides that the holder may cause such Global Note, or a portion of it, to become due and repayable in the circumstances described in Condition 10 by stating in the notice to the Fiscal Agent the principal amount of such Global Note that is becoming due and repayable. If principal in respect of any Note is not paid when due, the holder of a Global Note or Registered Notes represented by a Global Certificate may elect for direct enforcement rights against the relevant Issuer under the terms of a Deed of Covenant executed as a deed by the relevant Issuer and the Guarantor (in the case of Notes issued by an Issuing Subsidiary) on 19<sup>th</sup> April, 1999 to come into effect in relation to the whole or a part of such Global Note or one or more Registered Notes in favour of the persons entitled to such part of such Global Note or such Registered Notes, as the case may be, as accountholders with a clearing system. Following any such acquisition of direct rights, the Global Note or, as the case may be, the Global Certificate and the corresponding entry in the register kept by the Registrar will become void as to the specified portion or Registered Notes, as the case may be. However, no such election may be made in respect of Notes represented by a Global Certificate unless the transfer of the whole or a part of the holding of Notes represented by that Global Certificate shall have been improperly withheld or refused.

### **Notices**

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

### **Partly Paid Notes**

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holder in respect of them.

The applicable Pricing Supplement will contain such of the following or other information as is applicable in respect of such Notes (all references to numbered Conditions being to the Terms and Conditions of the relevant Notes):

## FORM OF PRICING SUPPLEMENT

Pricing Supplement dated [●]

[INTERBANCA S.p.A.] [name of Issuing Subsidiary]

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the Euro 3,000,000,000 Debt Issuance Programme**

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated ● [and the supplemental Offering Circular dated ●]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented].

*[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 directions for completing the Pricing Supplement.]*

- 1 [(i) Issuer: [Interbanca S.p.A./name of Issuing Subsidiary]  
[(ii) Guarantor: Interbanca S.p.A.]  
[(iii) Relevant Jurisdiction: [●]  
[(iv) Banking supervisory authority (if not Bank of Italy): [●]]]
- 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 [(i) Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]  
[(ii) Net proceeds: [●] (Required only for listed issues)]
- 6 Specified Denominations:<sup>1</sup> [●]  
[●]
- 7 (i) Issue Date: [●]  
(ii) Interest Commencement Date (if different from the Issue Date): [●]
- 8 Maturity Date: [specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year]

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1 In the case of Notes issued by an Issuing Subsidiary which is not an authorised person for the purposes of section 19 of the FSMA and which is not carrying on or deemed to be carrying on a regulated activity in the United Kingdom for the purposes of the FSMA, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuing Subsidiary in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination of £100,000 (or its equivalent in other currencies).

In the case of Notes issued by an Issuing Subsidiary which is not an authorised person for the purposes of section 19 of the FSMA and which is carrying on or deemed to be carrying on a regulated activity in the United Kingdom for the purposes of the FSMA, Notes which have a maturity of less than one year will have a minimum denomination of £100,000 (or its equivalent in other currencies).

- 9 Interest Basis: [●] per cent. Fixed Rate] [[specify reference rate] +/- [●] per cent. Floating Rate]  
 [Zero Coupon]  
 [Index Linked Interest]  
 [Dual Currency 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: [Put]  
 [Call]  
 [(further particulars specified below)]
- 13 [(i) Status of the Notes: [Senior/[Dated/Perpetual]/ Subordinated]  
 [(ii) Status of the Guarantee: [Senior/[Dated/Perpetual]/ Subordinated]]<sup>2</sup>
- 14 Listing: Luxembourg
- 15 Method of distribution: [Syndicated/Non-syndicated]

**Provisions Relating to Interest (if any) Payable**

- 16 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] in arrear].
- (ii) Interest Payment Date(s): [●] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of “Business Day”]/not adjusted]
- (iii) Fixed Coupon Amount [(s)]: [●] per [●] in nominal amount
- (iv) Broken Amount: [Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount [(s)] and the Interest Payment Date(s) to which they relate]
- (v) Day Count Fraction: [30/360 / Actual/Actual (ISMA/ISDA) / other]
- (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. N.B. only relevant where Day Count Fraction is Actual/ Actual (ISMA))
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not applicable/give details]

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2 Add the following language if Board (or similar) authorisation is required for the particular tranche of notes or related guarantee:  
 Date [Board] approval for issuance of Notes [and Guarantee] obtained: [ ] [and [ ]], respectively.



- 17 Floating Rate Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph. Also consider whether EURO BBA LIBOR or EURIBOR is the appropriate reference rate for Notes denominated in Euro)*
- (i) Specified Period(s)/  
Specified Interest  
Payment Dates: [●]
- (ii) Business Day Convention: [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
- (iii) Additional Business Centre(s)  
(Condition 5(j)): [●]
- (iv) Manner in which the  
Rate(s) of Interest  
is/are to be determined: [Screen Rate Determination/ISDA Determination/other (*give details*)]
- (v) Interest Period Date(s): [Not Applicable/*specify dates*]
- (vi) Party responsible for  
calculating the Rate(s)  
of Interest and Interest  
Amount(s) (if not the  
[Calculation Agent]): [●]
- (vii) Screen Rate Determination  
(Condition 5(b)(iii)(B)):  
— Relevant Time: [●]  
— Interest Determination  
Date: [*TARGET*] *Business Days in [specify city] for [specify currency] prior to [the first day in each Interest Accrual Period/each Interest Payment Date]*  
— Primary Source for  
Floating Rate: [*Specify relevant screen page or "Reference Banks"*]  
— Reference Banks  
(if Primary Source is  
"Reference Banks"):  
[Specify four]  
— Relevant Financial Centre: [*The financial centre most closely connected to the Benchmark — specify if not London*]  
— Benchmark: [*LIBOR, LIBID, LIMEAN, EURIBOR or other benchmark*]  
— Representative Amount: [*Specify if screen or Reference Bank quotations are to be given in respect of a transaction of a specified notional amount*]  
— Effective Date: [*Specify if quotations are not to be obtained with effect from commencement of Interest Accrual Period*]  
— Specified Duration: [*Specify period for quotation if not duration of Interest Accrual Period*]
- (viii) ISDA Determination  
(Condition 5(b)(iii)(A)):  
— Floating Rate Option: [●]  
— Designated Maturity: [●]  
— Reset Date: [●]  
— ISDA Definitions: (if  
different from those set  
out in the Conditions) [●]
- (ix) Margin(s): [+/-] [●] per cent. per annum
- (x) Minimum Rate of Interest: [●] per cent. per annum
- (xi) Maximum Rate of Interest: [●] per cent. per annum



- (xii) Day Count Fraction (Condition 5(j)): [●]
- (xiii) Rate Multiplier: [●]
- (xiv) 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: [●]
- 18 Zero Coupon Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Amortisation Yield (Condition 6(b)): [●] per cent. per annum
- (ii) Day Count Fraction (Condition 5(j)): [●]
- (iii) Any other formula/basis of determining amount payable: [●]
- 19 Index Linked Interest Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Index/Formula: [Give or annex details]
- (ii) Calculation Agent responsible for calculating the interest due: [●]
- (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [●]
- (iv) Specified Period(s)/ Specified Interest Payment Dates: [●]
- (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) (Condition 5(j)): [●]
- (vii) Minimum Rate of Interest: [●] per cent. per annum
- (viii) Maximum Rate of Interest: [●] per cent. per annum
- (ix) Day Count Fraction (Condition 5(j)): [●]
- 20 Dual Currency Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate of Exchange/Method of calculating Rate of Exchange: [Give details]
- (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:
- (v) Day Count Fraction (Condition 5(j)):

### Provisions Relating to Redemption

- 21 Call Option:  [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s):
  - (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):
  - (iii) If redeemable in part:
    - (a) Minimum nominal amount to be redeemed:
    - (b) Maximum nominal amount to be redeemed:
  - (iv) Option Exercise Date(s):
  - (v) Description of any other Issuer's option:
  - (vi) Notice period (if other than as set out in the Conditions)<sup>(3)</sup>:
- 22 Put Option:  [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s):
  - (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):
  - (iii) Option Exercise Date(s):
  - (iv) Description of any other Noteholders' option:
  - (v) Notice period (if other than as set out in the Conditions)<sup>(3)</sup>:
- 23 Final Redemption Amount:  [Nominal amount/Other/See Appendix]

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3. If setting notice periods which are different to those provided in the terms and conditions, issuers are advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the issuer and its fiscal agent.

- 24 Early Redemption Amount:
- (i) Early Redemption Amount(s) payable on redemption for taxation reasons (Condition 6(c)) or an event of default (Condition 10) and/or the method of calculating the same (if required or if different from that set out in the Conditions):
  - (ii) Redemption for taxation reasons permitted on days other than Interest Payment Dates (Condition 6(c)): [Yes/No]
  - (iii) Unmatured Coupons to become void upon early redemption (Bearer Notes only) (Condition 7(f)): [Yes/No/Not Applicable]

**General Provisions Applicable to the Notes**

- 25 Form of Notes: Bearer Notes/Exchangeable Bearer Notes/Registered Notes]  
[Delete as appropriate]
- (i) Temporary or permanent global Note/Certificate: [Temporary Global Note/Certificate exchangeable for a Permanent Global Note/Certificate which is exchangeable for Definitive Notes/Certificates on  days' notice/at any time/in the limited circumstances specified in the Permanent Global Note/Certificate]  
[Temporary Global Note/Certificate exchangeable for Definitive Notes/Certificates on  days' notice]  
[Permanent Global Note/Certificate exchangeable for Definitive Notes/Certificates on  days' notice/at any time/in the limited circumstances specified in the Permanent Global Note/Certificate]
  - (ii) Applicable TEFRA exemption: [C Rules/D Rules/Not Applicable]
- 26 Additional Financial Centre(s) (Condition 7(h)) or other special provisions relating to payment dates: [Not Applicable/Give details].  
[Note that this item relates to the date and place of payment, and not interest period end dates, to which items 16(ii), 17(iii) and 19(vi) relate]
- 27 Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
- 28 Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not applicable/give details]

- 29 Details relating to Instalment  
Notes: [Not applicable/*give details*]
- (i) Instalment Amount(s): [●]
- (ii) Instalment Date(s): [●]
- (iii) Minimum Instalment Amount: [●]
- (iv) Maximum Instalment Amount: [●]
- 30 Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition [●]] [annexed to this Pricing Supplement] apply]
- 31 Consolidation provisions: [Not Applicable/The provisions [in Condition [●]] [annexed to this Pricing Supplement] apply]
- 32 Other terms or special conditions:<sup>4</sup> [Not Applicable/*give details*]

### Distribution

- 33 (i) If syndicated, names of Managers: [Not Applicable/*give names*]
- (ii) Stabilising Manager (if any): [Not Applicable/*give name*]
- (iii) Dealer's Commission: [●]
- 34 If non-syndicated, name of Dealer: [Not Applicable/*give name*]
- 35 Additional selling restrictions: [Not Applicable/*give details*]

### Operational Information

- 36 ISIN Code: [●]
- 37 Common Code: [●]
- 38 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)*]
- 39 Delivery: Delivery [against/free of] payment
- 40 The Agents appointed in respect of the Notes are: [●]

### General

- 41 Additional steps that may only be taken following approval by an Extraordinary Resolution in accordance with Condition 11(a): [Not applicable/*give details*]
- 42 The aggregate nominal amount of Notes issued has been translated into Euro at the rate of [●], producing a sum of (for Notes not denominated in Euro): [Not applicable/Euro[●]]

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4. If full terms and conditions are to be used, please add the following here:  
"The full text of the Conditions which apply to the Notes [and which will be endorsed on the Notes in definitive form] are set out in [the Annex hereto], which Conditions replace in their entirety those appearing in the Offering Circular for the purposes of these Notes and such Conditions will prevail over any other provision to the contrary."

The first set of bracketed words is to be deleted where there is a permanent global Note instead of Notes in definitive form. The full Conditions should be attached to and form part of the Pricing Supplement.

## **[LISTING APPLICATION**

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the Euro 3,000,000,000 Debt Issuance Programme of Interbanca S.p.A.]

## **[STABILISING**

In connection with this issue, [*insert name of Stabilising Manager*] (the “**Stabilising Agent**”) or any person acting for him may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Agent or any agent of his to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period.]

## **MATERIAL ADVERSE CHANGE STATEMENT**

[Except as disclosed in this document, there/There]<sup>5</sup> has been no significant adverse change in the financial or trading position of the Issuer[, the Guarantor], or of the Group since [*insert date of last audited accounts or interim accounts (if later)*] and no material adverse change in the financial position or prospects of the Issuer[, the Guarantor], or of the Group since [*insert date of last published annual accounts.*]

## **RESPONSIBILITY**

[Each of] The Issuer [and the Guarantor] accepts responsibility for the information contained in this Pricing Supplement which, when read together with the Offering Circular [and the supplemental Offering Circular] referred to above, contains all information that is material in the context of the issue of the Notes.

Signed on behalf of the Issuer:

By: \_\_\_\_\_  
Duly authorised

[Signed on behalf of the Guarantor:

By: \_\_\_\_\_  
Duly authorised]

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5. If any change is disclosed in the Pricing Supplement, it will require approval by the Stock Exchange(s). Consideration should be given as to whether or not such disclosure should be made by means of a supplemental Offering Circular rather than in a Pricing Supplement.



## **USE OF PROCEEDS**

The net proceeds of sale of each issue of Notes will be used by the relevant Issuer for general funding purposes.

## SELECTED FINANCIAL INFORMATION

The following table sets forth certain selected non-consolidated financial data of the Bank. The selected non-consolidated income statement data for the financial years ended 31<sup>st</sup> December, 2002, 2001 and 2000, and the non-consolidated balance sheet data as of 31<sup>st</sup> December, 2002, 2001 and 2000 have been derived from, and should be read in conjunction with, the 2002, 2001 and 2000 non-consolidated financial statements of the Bank incorporated by reference into this Offering Circular, which have been prepared in accordance with Italian GAAP.

	Years ended 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in thousands of Euro except ratios and per share data)</i>		
<b>Income statement data</b>			
Interest income on loans receivable . . . . .	388,325	403,031	350,088
Other financial income <sup>(1)</sup> . . . . .	146,966	56,047	137,593
Other operating income . . . . .	90,834	73,335	76,084
<b>Total operating income</b> . . . . .	<b>626,125</b>	<b>532,413</b>	<b>563,765</b>
Interest expenses for financial services <sup>(2)</sup> . . . . .	310,789	227,891	410,110
General and administrative expenses . . . . .	71,647	69,980	53,571
Loans receivable written off <sup>(3)</sup> . . . . .	21,409	18,872	13,132
Provision for doubtful receivables . . . . .	7,766	24,503	9,932
<b>Total operating expenses</b> . . . . .	<b>411,611</b>	<b>341,246</b>	<b>486,745</b>
<b>Operating profit</b> . . . . .	<b>214,514</b>	<b>191,167</b>	<b>77,020</b>
<b>Total other income (expenses)</b> . . . . .	<b>5,262</b>	<b>5,245</b>	<b>3,404</b>
Income before income taxes . . . . .	219,776	196,412	80,424
Income taxes . . . . .	86,350	80,100	33,053
<b>Net income</b> . . . . .	<b>133,426</b>	<b>116,312</b>	<b>47,371</b>
<b>Per share data</b>			
Net income per share . . . . .	2.68	2.35	0.96
Cash dividend per Share . . . . .	1.50	1.75	0.46
	<b>As at 31<sup>st</sup> December,</b>		
	<b>2002</b>	<b>2001</b>	<b>2000</b>
<b>Balance sheet data <sup>(4)</sup></b>			
Total current assets . . . . .	2,892,846	2,606,230	2,123,528
Total assets . . . . .	9,506,285	8,562,765	7,832,678
Total current liabilities . . . . .	3,293,770	2,424,623	3,700,775
Total long-term liabilities . . . . .	5,623,095	5,611,728	3,698,756
Total liabilities . . . . .	8,916,865	8,036,351	7,399,531
Total shareholders' equity . . . . .	589,420	526,414	433,147

*Notes:*

- (1) Includes results on equity investments, interests on securities and adjustments/writeback of prior adjustments to financial fixed assets.
- (2) Includes profits and losses on financial transactions.
- (3) Includes adjustment and write back of prior adjustments to loans and provision for guarantees and commitments.
- (4) Current items are those due within 1 year.

## Ratios

	Years ended 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in per cent.)</i>		
<b>Structural ratios</b>			
Lending/funding . . . . .	0.99	1.03	1.00
Total assets/funding . . . . .	1.15	1.15	1.14
Total assets/lending . . . . .	1.15	1.11	1.14
<b>Profitability ratios</b>			
Net interest margin (Average spread lending/funding) . . . . .	0.95	0.97	0.86
Interest margin/net assets . . . . .	2.44	1.05	0.94
Return on equity (Net income/shareholders equity) . . . . .	30.2	28.4	12.5
Return on assets (Net income/total assets) . . . . .	1.40	1.36	0.60
Gross operating profits/net assets (income before taxes/total assets) .	2.31	2.29	1.03
Average yield on income-producing assets . . . . .	4.97	5.85	5.74
Average cost of interest-bearing liabilities . . . . .	4.02	4.88	4.88
Non performing loans after provisions/total loans . . . . .	1.18	1.28	1.47
<b>Risk ratios</b>			
Solvency ratio for purposes of Regulatory Authority . . . . .	8.10	8.90	8.42

## CAPITALISATION OF THE BANK

The following table shows the unaudited capitalisation of the Bank as at 31<sup>st</sup> December, 2002, 2001 and 2000:

	As at 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in thousands of Euro)</i>		
<b>Long term debt (excluding off balance sheet Transactions)<sup>(1)</sup></b>			
Sum owed to banks . . . . .	63,030	33,267	24,235
Sum owed to customers . . . . .	—	—	—
Notes . . . . .	743,157	799,757	568,273
Unsubordinated Loans . . . . .	—	—	—
Subordinated Loans <sup>(2)</sup> . . . . .	229,317	260,310	146,177
<b>Total long term debt . . . . .</b>	<b>1,035,504</b>	<b>1,093,334</b>	<b>738,685</b>
<b>Share capital and reserves</b>			
Share capital <sup>(3)</sup> . . . . .	152,433	148,740	148,740
Share premium reserve . . . . .	101,729	88,551	88,551
Allowance for general banking risk . . . . .	18,076	18,076	18,076
Reserves . . . . .	181,403	152,373	128,055
Revaluation reserves . . . . .	2,344	2,344	2,344
Retained earnings . . . . .	9	18	10
Profit for the year . . . . .	133,426	116,312	47,371
<b>Total share capital and reserves. . . . .</b>	<b>589,420</b>	<b>526,414</b>	<b>433,147</b>
<b>Total capitalisation . . . . .</b>	<b>1,624,924</b>	<b>1,619,748</b>	<b>1,171,832</b>

*Notes:*

- (1) Excludes debt maturing in 5 years or less.
- (2) Subordinated loans, which due to their intrinsic features are always a part of the Bank's equity, are herein accounted for their full outstanding amount, though the agreements which govern them may provide for principal repayments within the 5 years term.
- (3) For further information please refer to section "Capital and Shares" set out at page 65 of this Offering Circular.

Other than as disclosed in this Offering Circular, there has been no material change in the capitalisation of the Bank since 31<sup>st</sup> December, 2002.

Taking into consideration that:

- all the 300,000 options assigned as part of the first cycle of the stock option plan were exercised on 1<sup>st</sup> March, 2002;
- the 931,000 options assigned during the second and third cycles of the stock option plan were exercised on 23<sup>rd</sup> December, 2002;

the number of shares with rights to dividends increased from 49,579,969 at 31<sup>st</sup> December, 2001 to 50,810,969 shares.

In February 2003, the conversion of "Interbanca hybrid subordinated bond issue 2.50 per cent. 2001/2011 convertible into own ordinary shares" (Upper Tier 2), issued for Euro 148.7 million, was exercised. The extraordinary shareholders' meeting of 24<sup>th</sup> April, 2002 had brought forward the year from which conversion of the bonds into Interbanca shares could be exercised. The Subordinated Bond was converted for Euro 142.3 million at a ratio of each share for each converted bond, for a nominal conversion price of Euro 15.

Following partial conversion of the convertible bond, share capital consists of 60,299,644 ordinary shares (including 9,488,675 arising from the conversion which do not have rights to dividends from the 2002 results).

The Shareholders' Ordinary meeting of 24<sup>th</sup> April, 2003 has approved the allocation of net income of Euro 133,425,889.43 to the reserves and as dividends in the ratio of Euro 1.50 per each of the 50,810,969 shares with rights to dividends from 1<sup>st</sup> January, 2002 to be paid from 2<sup>nd</sup> May, 2003.

Therefore post partial conversion of bonds and the distribution of dividends, the shareholders' equity amounts to Euro 655,534 thousand.

	<i>(in thousands of Euro)</i>
Allowance for general banking risks . . . . .	18,076
Share capital . . . . .	152,433
Share premium . . . . .	101,729
Reserves, revaluation reserve and retained earnings . . . . .	183,756
Net income for the year 2002 . . . . .	133,426
<b>Shareholders' equity as at 31<sup>st</sup> December, 2002 . . . . .</b>	<b>589,420</b>
<b>N° of shares as at 31<sup>st</sup> December, 2002 . . . . .</b>	<b>50,810,969</b>
Partial Conversion of Convertible Bond (n. 9,488,675 shares @ Euro 15) . . . . .	142,330
<i>Share capital</i> . . . . .	28,466
<i>Share Premium</i> . . . . .	113,864
Dividends @ Euro 1.5 per share . . . . .	(76,216)
<b>Shareholders' equity post partial conversion of convertible Bond and distribution of dividends . . . . .</b>	<b>655,534</b>
<i>N° share post conversion . . . . .</i>	<i>60,299,644</i>



## CAPITAL ADEQUACY

The Bank of Italy has adopted risk based capital guidelines pursuant to the EU Capital Adequacy Directives. Set out below is an analysis of the capital adequacy of the Bank as at 31<sup>st</sup> December, 2002, 2001 and 2000, calculated according to the requirements of the Bank for International Settlements and the Bank of Italy by reference to total risk weighted assets of the Bank at the first date of Euro 9,314 million, at the second date of Euro 8,465 million, at the third date of Euro 7,067 million:

	As at 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in thousands of Euro except ratios)</i>		
Tier 1 Capital . . . . .	506,368	430,570	399,497
Tier 2 Capital . . . . .	274,657	310,158	178,835
less equity investments . . . . .	(36,874)	–	–
<b>Total Capital . . . . .</b>	<b>744,151</b>	<b>740,728</b>	<b>578,332</b>
<b>Capital adequacy ratio . . . . .</b>	<b>8.10%</b>	<b>8.90%</b>	<b>8.42%</b>

The Bank is required to maintain a total capital ratio on a stand alone basis of 7 per cent.

## DESCRIPTION OF THE BANK

### Introduction

Interbanca S.p.A. (“Interbanca” or the “Bank”) was established on 5<sup>th</sup> December, 1961 as a joint stock company by Banco Ambrosiano, Banca d’America e d’Italia and Banca Nazionale dell’Agricoltura. Since its establishment, Interbanca’s principal activity has been providing medium- and long-term loan facilities and other credits to customers in the manufacturing industry and the commercial sector. Recently, in line with the deregulation of the Italian banking sector the Bank has begun to diversify into other activities, including equity investment, investment banking and brokerage activities. In 1971, Interbanca’s preferred shares were listed on the Milan Stock Exchange, followed in 1987 by its ordinary shares.

Interbanca’s head office is at 56, Corso Venezia, Milan. It currently has 11 branch offices in other cities in Italy.

Control of the Bank has changed over time. Banca Nazionale dell’Agricoltura, having acquired some shares held by Banco Ambrosiano, became the majority owner of Interbanca’s ordinary shares in 1983. During 1990 Banca Nazionale dell’Agricoltura increased its shareholding to 62 per cent. of the ordinary capital of the Bank while Finarte S.p.A, which in 1988 had acquired a significant amount of Interbanca shares, bought out Banca d’America e d’Italia’s shares thereby becoming the second largest shareholder. In 1995, Banca Nazionale dell’Agricoltura became part of the Banca di Roma group and in 1996, the Banca di Roma group acquired control of 95.55 per cent. of Interbanca’s share capital. On 29<sup>th</sup> April, 1997 the Banca di Roma group sold 51 per cent. of its stake in Interbanca to Banca Antoniana — Popolare Veneta S.p.A. (“Banca Antonveneta”), at that time a medium-sized commercial bank operating largely in the North East of Italy. The remaining ordinary and preferred shares in Interbanca held by Banca Nazionale dell’Agricoltura were the subject of a call option in favour of Banca Antonveneta exercisable between 1<sup>st</sup> January and 31<sup>st</sup> October, 1998. Banca Antonveneta exercised the call option on 24<sup>th</sup> April, 1998, thereby increasing its total stake in the share capital of Interbanca to 99.52 per cent. During July of 1997 Banca Antonveneta launched a public offer to acquire those ordinary and preferred shares not held by Banca Nazionale dell’Agricoltura and thereby acquired an additional 3.8 per cent. of the shares in Interbanca. The ordinary and preferred shares of the Bank were delisted on 9<sup>th</sup> September, 1997 following the public purchase offer by Banca Antonveneta. The 29<sup>th</sup> April, 1999 shareholder’s meeting approved the relisting of Interbanca shares and the conversion of all preference shares into ordinary shares.

On 29<sup>th</sup> May, 2000 the board of directors of Banca Antonveneta and Banca Nazionale dell’Agricoltura approved the merger of the latter into Banca Antonveneta. The merger was legally effective from 1<sup>st</sup> October, 2000 and in relation to accounting and fiscal matters had retrospective effect as from 1<sup>st</sup> January, 2000. Such merger is functional to the growth of the Antonveneta Group and has resulted in the creation of a structure which is fully focused on the development of the sales network and on the quality of the products and services offered to the clients. The merger has also widened the presence on the Italian territory of the Antonveneta Group. As at the end of 2002, Banca Antonveneta Group had 1,055 branches, compared to 320 branches in 1996. The merger was part of the project that led to the listing of the Banca Antonveneta on the Italian market on 15<sup>th</sup> April, 2002.

Interbanca stock was relisted on the main Italian stock market on 29<sup>th</sup> June, 1999. The extraordinary shareholders meeting of the Bank held on 14<sup>th</sup> December, 2000 approved the gratuitous increase of the nominal value of the shares from ITL 5,000 to ITL 5,808.81 by means of the utilisation of reserves with a consequent increase of the capital to ITL 288,000,619,727. The capital was then converted into Euro, providing a value of Euro 148,739,907 divided into 49,579,969 ordinary shares with a nominal value of 3 Euro each. The same extraordinary shareholders meeting also approved the issue of an Upper Tier II Subordinated Bond (strumenti ibridi di patrimonializzazione, as defined in the Bank of Italy’s regulations) issue convertible into shares – whose amount has been determined in Euro 148,739,895 and which has been launched on 16<sup>th</sup> March, 2001 as described in more detail at the section “Capital and Shares”, at page 65 of this Offering Circular – and a consequent further capital increase of Euro 29,747,979. As at 31<sup>st</sup> December, 2002, Banca Antonveneta owned 64.67 per cent. of the Bank’s share capital.

As described in more detail at page 83 of this Offering Circular, section “SIGNIFICANT POST BALANCE SHEET EVENTS – ACQUISITION TENDER OFFER FOR INTERBANCA S.p.A.”, in November 2002, the directors of Banca Antonveneta decided to commence a restructuring of the group to create value both by strengthening the existing structures and by continuing the creation of specialist units focused on specific products and customers. The guidelines of the business plan foresee, among the various initiatives and in short, the creation of a holding bank to supervise the group’s business units, the concentration on retail banking activities by a newly set-up bank arising from the spin-off of business and branches of Banca Antonveneta and the continuation by Interbanca of corporate, investment and merchant banking activities and development of such services to the whole group. The directors also approved both the making of a complete acquisition tender offer

for Interbanca's share capital, with the aim of acquiring Interbanca's entire share capital and its delisting from the Stock Exchange. At the end of the tender offer, taken place between February and March 2003, Banca Antonveneta came to hold 96 per cent. of Interbanca's share capital, thus triggering the residual-acquisition tender offer requirement. A residual tender offer and an additional voluntary tender offer for Interbanca and Antonveneta bonds convertible into Interbanca ordinary shares and the Interbanca ordinary shares deriving from the exercise of Antonveneta warrants have been launched and will remain open until 7<sup>th</sup> July 2003.

At the completion of the reorganisation process, the Bank will serve the group's corporate customers providing them with extraordinary financial services and products including financing, capital market, treasury products, investment & merchant banking and corporate finance.

The Bank engaged Moody's Investors Services Ltd ("Moody's") to commence its rating in February 2001 as part of the project to value the group banks and given the planned stock market listing of the parent bank, Banca Antonveneta. Moody's gave the Bank a "Baa1" rating for long term, a "P-2" for short term and a "C-" for its financial strength. Its reliability assessment, issued in a stable context, considered the Bank's excellent position with respect to its relationship with medium sized Italian companies and especially its ability to merge traditional medium term lending services with its newer investment banking activities. These ratings also considered the potential growth in competition from large national banking groups in the sectors in which the Bank is active compared to its satisfactory financial base.

Regarding the Bank's Debt Issuance Programme, Moody's has indicated the possibility of assigning the following ratings:

- Long term Senior Unsecured Unsubordinated Notes: Baa1
- Short term Senior Unsecured Unsubordinated Notes: P-2
- Subordinated Notes: Baa2

Notes already issued have been rated Baa1. However, it must be noted that tranches of Notes issued under the Programme may be rated or unrated. Where a tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) assigned to the Programme or to the Notes previously issued. A security 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.

In 1999 Interbanca founded S.C.C. S.p.A. (a company acting as a vehicle for the securitization of credits), whose objective is to execute credit securitization operations with major Italian companies, limited to the securitization of credits *in bonis*.

The other subsidiaries at the date of this Offering Circular are Interbanca Gestione Investimenti SGR S.p.A., a wholly owned company established for the purpose of creating and managing closed-end mutual investment funds, and Interbanca International Holding S.A., a Brussels-based holding company which is 90 per cent. controlled by the Bank with 5 per cent. each held by ABN Amro Capital (Belgium) S.A., Brussels and Lloyd Adriatico S.p.A. (Allianz group).

## History

Interbanca was established in 1961 as a joint stock company. Under regulations adopted pursuant to the 1936 Italian banking law, the Bank was classified as a medium- and long-term lending institution. Its main object was to provide credit to the customers of the Italian private banks in the manufacturing and commercial sectors.

The history of the Bank can be divided into two distinct periods. During the period immediately following its establishment, the Bank was a relatively small bank engaged in the financing of Italian manufacturing and commerce.

Between incorporation and 1993, the activities of the Bank expanded considerably, financed principally by regular issues of medium-term certificates of deposit ("CDs"), the interest on which, if they were issued for certain periods, attracted no tax in Italy. The greater part of the loans and credits made by the Bank were on subsidised terms under government schemes. More than half its assets were engaged in financing activities, most of the rest being invested in bonds, the majority of which were government bonds.

In 1993, the range of activities which banking entities were permitted to carry out was widened. In common with many other banking institutions which had, until then, had highly specialised activities, Interbanca began to

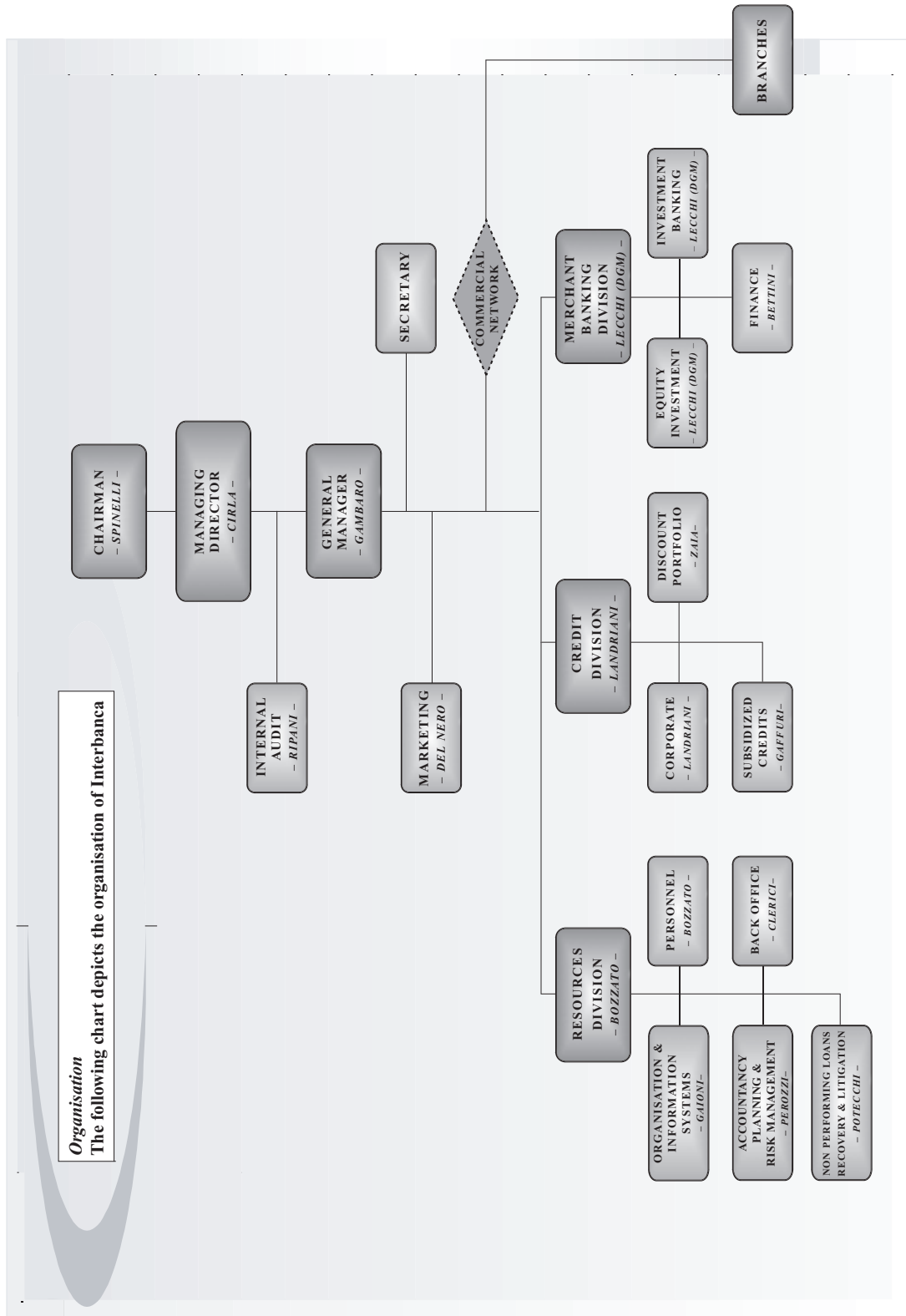
explore the possibility of diversifying away from being purely a lender of medium- and long-term funds. The Bank has begun offering merchant banking and investment banking services to its customer network. With this expansion, the Bank is seeking to ensure that it is able to offer its customer base (of predominantly medium sized companies) all required financing services other than short-term commercial banking services which are available through the Banca Antonveneta network.

Following its incorporation into the Banca Antonveneta group in 1997, the strategy of Interbanca has been developed further. The current objective of Interbanca is not only to operate as a medium-to long-term lender, but also to provide merchant and investment banking services to its traditional clientele of medium sized corporate customers. Services which are already provided – which include international public offerings, M&A, corporate advisory, equity investments as well as brokerage activities – have significantly increased the importance of non-interest income.

#### **RELATIONSHIP WITH BANCA ANTONVENETA**

Interbanca reports to its parent, Banca Antonveneta, on a monthly basis so as to enable Banca Antonveneta to consolidate the information relating to its subsidiaries in order to comply with its monthly reporting obligations to the Bank of Italy in respect of the group. Interbanca reports separately to the Bank of Italy, in compliance with the applicable reporting requirements.

## CHART – ORGANISATION OF INTERBANCA



## SUMMARY FINANCIAL INFORMATION OF THE BANK

Set out below is summary financial information on Interbanca which is based on the Bank's audited non-consolidated financial statements for the years ended 31<sup>st</sup> December, 2002, 2001 and 2000. The audited non-consolidated financial statements have been prepared in accordance with Italian GAAP.

### BALANCE SHEET

	As at 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in thousands of Euro)</i>		
<b>Assets</b>			
Cash and deposits with central banks and post offices . . .	172	84	140
Treasury bills and bonds eligible for refinancing with central banks . . . . .	—	—	18,341
Due from banks: . . . . .	463,277	410,302	430,513
a) repayable on demand . . . . .	88,790	55,911	31,227
b) other . . . . .	374,487	354,391	399,286
Loans to customers: . . . . .	7,782,755	7,275,086	6,453,597
<i>Including: loans using third party funds</i> . . . . .	<i>840</i>	<i>517</i>	<i>465</i>
Bonds and other debt securities: . . . . .	142,937	160,052	173,733
a) public issue . . . . .	93,088	100,033	91,965
b) banks . . . . .	31,193	20,683	34,822
<i>Including: own securities</i> . . . . .	<i>22,732</i>	<i>12,136</i>	<i>11,884</i>
c) financial institutions. . . . .	—	—	—
d) other issuers . . . . .	18,655	39,335	46,946
Shares, quotas and other equities . . . . .	7,309	19,902	26,412
Equity investments . . . . .	478,245	231,262	310,698
Investments in group companies . . . . .	95,355	50,355	5,255
Intangible fixed assets . . . . .	4,492	6,735	8,260
Tangible fixed assets . . . . .	27,557	27,769	26,740
Other assets . . . . .	204,987	125,547	92,215
Accrued income and prepaid expenses: . . . . .	299,200	255,673	286,774
a) accrued income . . . . .	192,979	172,883	252,917
b) prepaid expenses. . . . .	106,221	82,790	33,857
<i>Including: discount on issue of bonds</i> . . . . .	<i>14,868</i>	<i>17,493</i>	<i>761</i>
<b>Total assets</b> . . . . .	<b>9,506,285</b>	<b>8,562,765</b>	<b>7,832,678</b>



	As at 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in thousands of Euro)</i>		
<b>Liabilities and net equity</b>			
Due to banks: . . . . .	684,679	715,004	1,042,591
a) repayable on demand . . . . .	185,591	13,808	207,485
b) term or with notice . . . . .	499,088	701,196	835,106
Due to customers: . . . . .	315,789	493,932	336,102
a) repayable on demand . . . . .	308,082	363,585	88,318
b) term or with notice . . . . .	7,707	130,347	247,784
Securities issued: . . . . .	7,069,872	5,990,692	5,329,237
a) bonds . . . . .	6,945,710	5,880,859	4,473,301
b) certificates of deposit . . . . .	94,157	61,424	124,066
c) other securities . . . . .	30,005	48,409	731,870
Management of third party funds . . . . .	803	516	422
Other liabilities . . . . .	57,064	65,979	74,121
Accrued expenses and deferred income: . . . . .	410,501	355,844	385,700
a) accrued expenses . . . . .	189,426	167,163	253,808
b) deferred income . . . . .	221,075	188,681	131,892
Severance indemnity funds . . . . .	8,793	8,551	8,091
Allowances for risks and charges: . . . . .	85,277	86,223	35,268
a) staff retirement funds . . . . .	—	—	—
b) allowances for taxes . . . . .	85,277	86,223	35,268
c) other allowances . . . . .	—	—	—
Allowance for general credit risk . . . . .	54,768	59,300	41,822
Allowance for general banking risks . . . . .	18,076	18,076	18,076
Subordinated loans . . . . .	229,317	260,310	146,177
Share capital . . . . .	152,433	148,740	148,740
Share premium reserve . . . . .	101,729	88,551	88,551
Reserves: . . . . .	181,404	152,373	128,055
a) legal reserve . . . . .	16,858	11,043	8,674
b) reserve for the purchase of own shares . . . . .	—	—	—
c) statutory reserves . . . . .	58,508	58,508	58,508
d) other reserves . . . . .	106,038	82,822	60,873
Revaluation reserves . . . . .	2,344	2,344	2,344
Retained earnings . . . . .	9	18	10
Net income for the year . . . . .	133,426	116,312	47,371
<b>Total liabilities and net equity . . . . .</b>	<b>9,506,285</b>	<b>8,562,765</b>	<b>7,832,678</b>

**Selected off-balance sheet data**

	As at 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in thousands of Euro)</i>		
Guarantees . . . . .	641,809	511,004	306,595
Commitments . . . . .	774,229	870,865	521,386

## STATEMENT OF INCOME

	Years ended 31 <sup>st</sup> December,		
	2002	2001	2000
	(in thousands of Euro)		
<b>Items</b>			
Interest income and similar revenues . . . . .	414,194	456,365	488,972
<i>Including:</i>			
– loans to customers . . . . .	388,325	403,031	350,088
– debt securities . . . . .	8,651	11,097	10,472
Interest expense and similar charges . . . . .	(321,394)	(373,490)	(420,834)
<i>Including:</i>			
– due to customers . . . . .	(13,132)	(15,549)	(8,590)
– securities issued . . . . .	(241,333)	(298,365)	(349,475)
Dividends and other revenues: . . . . .	126,724	3,205	1,802
a) shares, quotas and other equities . . . . .	400	1,664	610
b) equity investments . . . . .	125,469	1,436	1,192
c) investments in group companies . . . . .	855	105	—
Commission income . . . . .	76,806	58,681	53,250
Commission expense . . . . .	(2,024)	(4,728)	(2,416)
Profits on financial transactions . . . . .	10,605	145,599	10,724
Other operating income . . . . .	16,143	49,082	25,922
Administrative expenses: . . . . .	(65,694)	(64,455)	(48,608)
a) personnel expenses . . . . .	(37,158)	(37,289)	(27,467)
<i>Including:</i>			
– wages and salaries . . . . .	(19,145)	(16,820)	(16,175)
– social security contributions . . . . .	(5,422)	(4,441)	(4,872)
– provision for severance pay fund . . . . .	(1,454)	(1,468)	(1,393)
– provision for post retirement benefits . . . . .	(739)	(479)	(701)
b) other . . . . .	(28,536)	(27,166)	(21,141)
Amortization and depreciation of intangible and tangible fixed assets . . . . .	(5,953)	(5,526)	(4,962)
Other operating charges . . . . .	(91)	(29,700)	(674)
Adjustments to loans and increase in allowances for guarantees and commitments . . . . .	(30,811)	(26,459)	(23,896)
Write-backs of adjustments to loans and decrease in allowances for guarantees and commitments . . . . .	9,402	7,587	10,765
Charge to allowance for general credit risk . . . . .	(7,766)	(24,503)	(9,932)
Adjustments to financial fixed assets . . . . .	(6,394)	(1,397)	(3,441)
Write-backs of adjustments to financial fixed assets . . . . .	767	905	348
<b>Income from operating activities . . . . .</b>	<b>214,514</b>	<b>191,167</b>	<b>77,020</b>
Extraordinary income . . . . .	6,897	7,599	6,062
Extraordinary expense . . . . .	(1,635)	(2,354)	(2,658)
<b>Net extraordinary income . . . . .</b>	<b>5,262</b>	<b>5,245</b>	<b>3,404</b>
Income taxes for the year . . . . .	(86,350)	(80,100)	(33,053)
<b>Net income for the year . . . . .</b>	<b>133,426</b>	<b>116,312</b>	<b>47,371</b>

## LENDING ACTIVITIES

### INTRODUCTION

Since its establishment, Interbanca's principal activity has been to provide medium- and long-term loan facilities and other credits to customers in manufacturing industry and the commercial sector.

Set out below is an analysis of Interbanca's outstanding loans as at 31<sup>st</sup> December, 2002, 2001 and 2000, broken down by type of borrower:

	As at 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in thousands of Euro)</i>		
Governments . . . . .	295,167	393,113	465,363
Other government agencies . . . . .	72,454	60,133	81,145
Non-financial institutions . . . . .	6,459,787	5,805,106	4,954,989
Financial institutions . . . . .	870,260	856,625	812,557
Family businesses . . . . .	59,422	48,686	45,835
Other customers . . . . .	25,665	111,423	93,708
<b>Total customers . . . . .</b>	<b>7,782,755</b>	<b>7,275,086</b>	<b>6,453,597</b>
Credit Institutions . . . . .	463,277	410,302	430,513
<b>Total . . . . .</b>	<b>8,246,032</b>	<b>7,685,388</b>	<b>6,884,110</b>

As the overall size of the Bank's loan book has increased, the proportion of it represented by direct loans to non-financial companies has grown.

A breakdown of loans to domestic non-financial institutions and family businesses is as follows:

	As at 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in thousands of Euro)</i>		
Other services for sale . . . . .	842,981	569,391	400,003
Farm and industrial machinery . . . . .	824,304	783,338	827,100
Commerce, salvage and repair services . . . . .	789,447	735,513	671,783
Communications . . . . .	479,550	122,323	21,537
Textile, leather and footwear . . . . .	277,568	265,822	225,248
Metal products excluding transport vehicles . . . . .	256,876	279,929	269,130
Paper, paper articles . . . . .	222,362	205,576	187,112
Energy products . . . . .	200,609	137,986	186,748
Transport services . . . . .	196,008	125,324	49,108
Food stuffs, beverages, tobacco . . . . .	188,032	204,283	179,699
Vehicles . . . . .	185,404	225,333	121,799
Other sectors . . . . .	1,540,584	1,640,422	1,442,086
<b>Total . . . . .</b>	<b>6,003,725</b>	<b>5,295,240</b>	<b>4,581,353</b>
Other loans to non-resident companies . . . . .	515,484	558,552	419,471
<b>Total . . . . .</b>	<b>6,519,209</b>	<b>5,853,792</b>	<b>5,000,824</b>

This table shows the Bank's concentration on and increasing granting of loans to the manufacturing and industrial sectors.

According to the Bank of Italy rules, certain auxiliary services provided to the financial sector are included in the commercial and service sector classification.

## ANALYSIS OF LOANS BY SECTOR

Set out below is an analysis of Interbanca's outstanding loans to Italian resident non-financial and family businesses as at 31<sup>st</sup> December, 2002, 2001 and 2000, broken down by sector:

	As at 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in thousands of Euro)</i>		
Agricultural products . . . . .	79,526	53,508	49,040
Energy . . . . .	200,609	137,986	186,748
Ferrous minerals and metals . . . . .	144,033	261,378	149,213
Non-ferrous minerals and metals products . . . . .	163,016	135,276	154,605
Chemicals . . . . .	176,628	200,777	228,600
Metallic products . . . . .	256,876	279,929	269,130
Industrial and agricultural machinery. . . . .	824,304	783,338	827,100
Office equipment . . . . .	67,334	104,334	53,235
Electrical materials . . . . .	141,097	172,920	185,625
Transport. . . . .	185,404	225,333	121,799
Food products . . . . .	188,032	204,283	179,699
Textiles . . . . .	277,568	265,822	225,248
Paper products . . . . .	222,362	205,576	187,112
Plastic and rubber products . . . . .	171,124	147,549	127,868
Other manufacturing . . . . .	156,226	142,901	129,227
Building and construction . . . . .	185,359	239,090	216,798
Trade . . . . .	789,447	735,513	671,783
Hotels and public services . . . . .	138,030	95,275	76,247
Transport within Italy. . . . .	36,324	37,739	25,426
Maritime and air transport . . . . .	81,693	49,721	41,335
Services connected with transport. . . . .	196,008	125,324	49,108
Communication services . . . . .	479,550	122,323	21,537
Other services related to sales . . . . .	843,175	569,345	404,870
<b>Total . . . . .</b>	<b>6,003,725</b>	<b>5,295,240</b>	<b>4,581,353</b>

## GEOGRAPHICAL ANALYSIS OF LOANS

Set out below is an analysis of Interbanca's loans as at 31<sup>st</sup> December, 2002, 2001 and 2000, broken down by geographical region:

	As at 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in thousands of Euro)</i>		
<i>Residents in Italy:</i>			
North West . . . . .	3,392,941	3,060,208	2,742,387
North East . . . . .	1,344,290	1,378,835	1,236,770
Center. . . . .	1,488,101	1,347,671	1,217,490
South . . . . .	583,603	579,056	528,907
Islands . . . . .	182,527	156,694	146,963
<b>Total . . . . .</b>	<b>6,991,462</b>	<b>6,522,464</b>	<b>5,872,517</b>
<i>Residents in other EU countries</i> . . . . .	607,566	544,625	351,696
<i>Residents in other countries.</i> . . . .	183,727	207,997	229,384
<b>Total . . . . .</b>	<b>7,782,755</b>	<b>7,275,086</b>	<b>6,453,597</b>

The concentration of Interbanca's activities in the North West, North East and Central Italy is evidenced by this table. The concentration of activities in these regions has a historical origin. Since it commenced operations in 1961, the Bank's principal activity has been providing medium- and long-term loan facilities to customers in the manufacturing and industrial sectors – a customer base historically concentrated in the North West and Central

regions of Italy. The table also evidences the material increase in importance of the North-East regions due to the constant support extended to the Bank by Banca Antonveneta.

The overwhelming majority of the Bank's loan portfolio is represented by loans in Italy. As at 31<sup>st</sup> December, 2002, 2001 and 2000, the relevant percentages were 89.8 per cent., 89.7 per cent. and 91.0 per cent., respectively.

#### ***Loan concentration and size***

***(excluding repayable on demand due from banks and other remaining loans)***

As at 31<sup>st</sup> December, 2002, the Bank's top ten customers (individuals and groups) accounted for 17.5 per cent. of the total outstanding loans (excluding "banks on demand" and "other loans").

No. of customers (individuals and groups)	Outstanding loans at 31/12/2002		Outstanding loans at 31/12/2001		Outstanding loans at 31/12/2000	
	<i>(in millions of Euro)</i>	in %	<i>(in millions of Euro)</i>	in %	<i>(in millions of Euro)</i>	in %
Top 10 customers . . . . .	1,518	17.5	1,270	15.7	1,122	16.0
Top 20 customers . . . . .	2,260	26.0	1,842	22.8	1,646	23.4
Top 50 customers . . . . .	3,598	41.5	2,990	37.0	2,584	36.8
Top 100 customers . . . . .	4,835	55.7	4,178	51.7	3,605	51.3
Top 200 customers . . . . .	6,021	69.4	n.d.	—	n.d.	—
Top 400 customers . . . . .	7,039	81.1	n.d.	—	n.d.	—

#### **Breakdown of loan risk concentration among the top 400 customers**

The following table shows the breakdown of loan risk concentration highlighting the impact of industrial companies as per the Bank's strategy.

	Outstanding loans at 31/12/2002	%
	<i>(in millions of Euro)</i>	
Companies . . . . .	6,284	89.3
Banks . . . . .	379	5.4
Governments and government agencies . . . . .	376	5.3
<b>Total . . . . .</b>	<b>7,039</b>	<b>100.0</b>

#### ***Subsidized and Specially Supported Loans***

A certain portion of the loans and credits provided by Interbanca, and particularly its long-term loans and credits, enjoy capital or interest subsidies provided by, or benefit from credit and other forms of support from, the Italian government and public bodies.

## Corporate

Loans to customers showed an increase of 7 per cent. on a year on year basis at Euro 7,783 million at 31<sup>st</sup> December, 2002.

Lending activities mainly consist of the granting of loans with maturities of over 18 months and the discounting of notes related to the hire purchase of fixed assets. The Bank principally operates with non-financial institutions (83 per cent. of the entire exposure).

The Bank's net other than performing loans/total loans ratio is very satisfactory at 2.3 per cent. as is the steady decrease in the net non-performing loans/net loans ratio (1.18 per cent) at year end. The latter is especially important given that the Bank has never used securitization transactions.

The Bank is very active in the corporate finance sector and was involved in the following transactions:

- acquisition financing to assist:
  - acquisition of the aftermarket business of Magneti Marelli, a company belonging to Fiat group, with the subsidiary Interbanca International Holding S.A. jointly operating with RGZ;
  - the management buy-out of the entire share capital of Vetroarredo S.p.A., global leader in the production and sale of technical glass;
  - the acquisition of full control of Intermarine S.p.A. by Rodriquez Cantieri Navali S.p.A., an established Messina-based shipyard which is a market leader in the building of hydrofoils and fast-ferries;
  - acquisition by Berni S.r.l., a special purpose vehicle 61.5 per cent. controlled by Fondo Interbanca Investimenti Due, from Nestlè Italiana S.p.A. of the latter's trademark and business unit;
  - acquisition of Facis S.p.A. (a long-standing men's clothing manufacturer) by the Sicilian Medicof S.p.A. from HDP group;
  - structuring and organizing of the acquisition of 51 per cent. of Nolostand S.p.A., a Milan-based market leader in the trade fair stand sector, by Fiera di Milano;
  - the purchase of a prestigious building near Fifth Avenue in New York by Ciro Paone S.p.A. and its subsidiary Kiton Building;
- organization of financing to assist:
  - the takeover bid made by Biosdue S.p.A. involving the entire share capital of Snia S.p.A.;
  - Gestioni Armatoriali S.p.A., a Naples company which operates in the refined oil products shipment business, with its acquisition of three new tankers;
  - development of the investment plan of Mossi & Ghisolfi International;
- organization of the securitization transaction on the performing residential land loans of the parent bank Banca Antonveneta;
- organization of real estate financing for the purchase of the Rome management offices of Alitalia by a special purpose vehicle set up by Peabody (an investment fund owned by J.P. Morgan and O'Conner group) and Lamaro Appalti.

The sector generated commissions of Euro 30.5 million during the year (+104.7 per cent. on the previous year).



## SECURITY AND GUARANTEES

Interbanca's loans to the private sector are to a certain extent secured by mortgages, pledges or other collateral or covered by different types of guarantee. Set out below is a breakdown of the security and guarantees as at 31<sup>st</sup> December, 2002, 2001 and 2000:

	As at 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in thousands of Euro)</i>		
Mortgages . . . . .	<b>1,369,067</b>	<b>1,398,573</b>	<b>1,377,684</b>
Pledges on: . . . . .	<b>64,871</b>	<b>77,952</b>	<b>188,023</b>
1. cash deposits . . . . .	429	373	161
2. securities . . . . .	64,442	77,548	187,800
3. other assets . . . . .	–	31	62
Guarantees from: . . . . .	<b>919,127</b>	<b>838,513</b>	<b>657,867</b>
1. governments . . . . .	19,220	46,949	37,642
2. other government agencies . . . . .	14,167	31,601	52,872
3. banks . . . . .	307,701	205,445	137,427
4. other operators . . . . .	578,039	554,518	429,926
<b>Total . . . . .</b>	<b>2,353,065</b>	<b>2,315,038</b>	<b>2,223,574</b>

## COMPETITION

The Bank's competitors have traditionally been other Italian credit institutions operating in the medium and long-term credit markets. One of the Bank's principal competitive strengths against such institutions is the wide range of services that the Bank is able to offer to its customer base. Indeed, the Bank's position in the Italian market allows it to offer to its clients services such as investment banking, equity investment and lending. The Bank's strategy of expanding its financial services to include merchant banking and investment banking means that, unlike its close competitors, it is able to offer almost all of the longer term and/or "higher value" financial services required by its customer base.

The Bank's competitors in the medium and long-term credit markets still have not really implemented merchant banking activities, whereas the Bank, demonstrating a capability to understand in advance its customers' and market's needs, has already arranged a large number of deals in these areas and is fully operational. The results expected after three years according to the Bank's provisional plan for the development of such services were already reached after two years. The management of the Bank believes that its existing customer network and strong client relationships place it at an advantage to its competitors in expanding into merchant banking activities. As a consequence of the efforts of the Bank to develop such new services, merchant banking has recently become the Bank's core business.

## CREDIT PROCEDURES

Depending on the size of the credit applied for, it will be approved by the Board of Directors, the Executive Committee, the Managing Director, the General Manager, and, in relation to credit applications of up to Euro 5 million, by other authorized senior managers of the Bank.

For the purpose of credit decision, meetings of the Board of Directors normally take place one a month; meetings of the Executive Committee take place three times a year.

Applications for credit approval are prepared by the Credit Division.

The need to make provisions for non-performing loans is reviewed at least every six months and in most cases monthly.

## DEFAULTED AND PROBLEM LOANS

The Non Performing Loans Recovery Department of the Bank monitors its existing loans on a continuing basis, assigning to each loan the appropriate risk classification category according to established rules and procedures.

Where ordinary requests for payment of an overdue amount do not result in the relevant amount being paid, the loan file is transferred to the Non Performing Loans Recovery ("*pre-contenzioso*" or "*contenzioso*" section) in

order to start more formal collection procedures and, if necessary, formal legal action to recover the loan or the collateral held.

The regulations of the Bank of Italy relating to problem debts identify five categories of such loans:

- loans in the course of restructuring (*crediti in corso di ristrutturazione*)
- restructured loans (*crediti ristrutturati*)
- loans subject to country risk (*crediti soggetti a rischio paese*)
- sub-standard loans (*partite incagliate*)
- non-performing loans (*crediti in sofferenza*).

#### *Loans in the course of restructuring*

These are loans where the counterpart is indebted to several banks, and the debtor has presented a petition of consolidation in the previous 12 months. The debts relating to the restructured part have to be disclosed but do not have to be classified as non-performing or sub-standard debts. Where more than 12 months since the presentation of the petition have passed, the banks must verify whether the exposure should be classified as non-performing or sub-standard and report the exposure accordingly.

#### *Restructured loans*

These are loans where a pool of banks (or a single bank), while granting a moratorium, renegotiate the rate of interest to a rate below market rate. Loans to companies which have ceased activity (such as those, for example, in voluntary liquidation) are excluded from this category. The restructured part of the debt does not have to be reported as a non-performing or sub-standard debt. It only needs to be reported as a restructured loan when the renegotiated interest rate is not consistent with market interest rates.

Any banks which do not agree with the restructuring must evaluate whether the conditions are such as to require the risk classification of the loan to be “sub-standard” or “non-performing”. The banks which have approved the restructuring in case of subsequent unpaid outstanding must evaluate whether the conditions are such as to require the risk classification of the loan to be “sub-standard” or “non-performing”.

#### *Loans subject to country risk*

“Country risk” relates to problems of solvency in countries where there are difficulties in respect of the service of debt. There are seven categories of risk (as established by the Bank of Italy and the banking profession). For each of these categories, the Bank monitors the requisite general writedown percentage as agreed by the Bank of Italy and the banking profession – which has to be applied to those loans (or parts of loans) which are not specifically guaranteed against country risk.

For each of these groups, the Non Performing Loans Recovery of the Bank monitors the minimal percentage of devaluation (0 per cent., 15 per cent., 20 per cent., 25 per cent. and 30, 40, 60 per cent.) which has to be applied to loans which are not specifically guaranteed against country risk.

#### *Sub-standard loans*

According to the Bank of Italy’s rules, loans are to be classified as “sub-standard” when the debtor is in a temporary situation of objective financial difficulty, which is likely to be resolved over a period of time. Personal guarantees or other security held should not be taken into account for classification purposes. Exposures related to country risk situations are excluded from this classification category.

In compliance with such Bank of Italy’s rules, loans must be classified as “sub-standard” (as a minimum requirement) when they have the following features:

1. Loans to individuals, fully secured by mortgage over residential buildings, when an expropriation notice has been notified to the debtor (at Interbanca, however, such loans are classified as non-performing).
2. Loans, other than those described in the previous paragraph, on which payments of principal or interest are overdue and which satisfy the following conditions:

- (a) a loan of any amount in respect of which any sum of principal or interest is overdue and where, depending on the length of interest periods for that loan, the default continues unremedied for the following number of interest periods or for the time shown:

<u>Length of loan</u>	<u>Six monthly interest periods</u>	<u>Three monthly interest periods</u>	<u>Monthly interest periods</u>	<u>Yearly interest periods</u>
36 months or less . . . . .	2	3	5	6 months
more than 36 months. . . . .	3	5	7	6 months

- (b) loans to the same borrower the aggregate overdue principal amount of which is 20 per cent. or more of total loans outstanding to that borrower, regardless of whether they fall within (a) above.

*Non-performing loans*

“Non-performing” is a classification given in respect of a loan where the borrower is in a state of insolvency (whether formally declared or not) or, in the bank’s view, a similar situation. Such classification does not take into account the existence of guarantees, collateral, or other security held, or the likelihood of loss or recovery.

The following table shows, as at the end of 2002, 2001 and 2000, a breakdown of the loans of the Bank (after provisions have been made) according to the classifications referred to in this section:

	<b>As at 31<sup>st</sup> December,</b>		
	<b>2002</b>	<b>2001</b>	<b>2000</b>
	<i>(in thousands of Euro except ratios)</i>		
(i) Restructured loans or loans in the course of restructuring . . . . .	30,745	29,680	25,779
(ii) Non guaranteed loans to residents in countries considered to be a risk . . . . .	7,483	14,254	14,479
(iii) Sub-standard loans . . . . .	56,112	34,306	40,254
(iv) Non performing loans . . . . .	97,553	98,749	101,168
<b>(v) Total loans.</b> . . . .	<b>8,246,032</b>	<b>7,685,388</b>	<b>6,884,110</b>
<b>Aggregate of (i) to (iv) as a percentage of (v)</b> . . . . .	<b>2.33%</b>	<b>2.30%</b>	<b>2.64%</b>

The low percentages – achieved without recourse to any securitization of the Bank’s credits – reflect the quality of the Bank’s loan portfolio over the period under review and the critical analysis of loan applications during the credit approval process.

Set out below is a table showing the variations in the composition of non-performing loans and provisions as at 31<sup>st</sup> December, 2002, 2001 and 2000:

	<b>As at 31<sup>st</sup> December</b>		
	<b>2002</b>	<b>2001</b>	<b>2000</b>
	<i>(in thousands of Euro except ratios)</i>		
Nominal value of non-performing loans at risk . . . . .	175,642	189,539	181,464
Provisions . . . . .	78,089	90,790	80,296
Net value of non-performing loans at risk . . . . .	97,553	98,749	101,168
<b>Net non-performing loans/Total net loans ratio</b> . . . . .	<b>1.18%</b>	<b>1.28%</b>	<b>1.47%</b>

Set out below is a table showing the sectorial analysis of the Bank's non-performing loans in respect of Italian resident non-financial and family businesses as at 31<sup>st</sup> December, 2002, 2001 and 2000:

	As at 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in thousands of Euro)</i>		
Textiles . . . . .	13,434	8,697	6,834
Food products . . . . .	8,820	18,671	21,018
Non-ferrous minerals and metals products . . . . .	8,174	9,768	9,902
Other manufacturing . . . . .	8,132	6,553	8,051
Trade . . . . .	8,128	6,811	6,645
Metallic products . . . . .	7,921	4,769	4,926
Industrial and agricultural machinery. . . . .	7,501	2,961	2,519
Agricultural products . . . . .	7,477	6,598	6,222
Plastic and rubber products . . . . .	5,210	4,961	4,803
Paper products . . . . .	3,691	2,487	2,738
Electrical materials . . . . .	3,472	3,658	3,974
Transport. . . . .	3,115	419	420
Office equipment . . . . .	2,524	2,819	2,520
Hotels and public services . . . . .	2,356	2,559	2,224
Chemicals . . . . .	1,875	2,253	1,553
Building and construction . . . . .	1,385	976	1,088
Transport within Italy. . . . .	1,260	390	653
Other services related to sales . . . . .	840	2,697	4,345
Ferrous minerals and metals . . . . .	—	—	25
Other activities . . . . .	2,079	2,876	3,129
<b>Total . . . . .</b>	<b>97,394</b>	<b>90,923</b>	<b>93,589</b>

During the years under review, there was no significant concentration of non-performing loans in any one sector.

## FUNDING

Set out below is a breakdown of Interbanca's main sources of funding:

	As at 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in thousands of Euro)</i>		
Certificates of deposit . . . . .	94,157	61,424	124,066
Bonds and loan stock . . . . .	6,945,710	5,880,859	4,473,301
Subordinated loans . . . . .	229,317	260,310	146,177
Other forms of direct funding from:			
– Banks . . . . .	684,679	715,004	1,042,591
– Customers . . . . .	315,790	493,932	336,102
– Other securities . . . . .	30,006	48,409	731,870
Other . . . . .	803	516	422
<b>Total . . . . .</b>	<b>8,300,462</b>	<b>7,460,454</b>	<b>6,854,529</b>

Interbanca's main sources of funds include bonds, the interbank market, bilateral funding arrangements with other banks and a number of syndicated loans. The funding arrangements with other banks are split between Italian and foreign banks.

Funding requirements are typically determined weekly, based on the loans to be financed, and are easily covered through the domestic, public and private placement market. To hedge the risk of possible funding shortages, Interbanca has a liquid securities portfolio and a stand-by committed credit facility from its parent, Banca Antonveneta.

Considering the financial market situation, the Bank continued to focus on the issue of ordinary and, especially, structured bonds rather than other financial instruments. This allowed Interbanca to significantly reduce its interest rates payable and concurrently offer its customers a wide range of investment products. These included issues linked to raw materials, European inflation and the performance of international shares of the energy sector.

The Bank continued to research new bond structures during the year 2002, collecting approximately Euro 2,076 million (compared to the "Vanilla" bonds issued for Euro 360 million) and used its Debt Issuance Programme for a very small portion (Euro 109.5 million).

This led to a decrease in interest rates paid by the Bank and gave bond underwriters a wide range of investment.

The more innovative structures are linked to:

- investment funds (Dynamic Bonds), for Euro 250 million;
- European inflation (Consumer Price Index), for Euro 235 million;
- performance of international shares for Euro 240 million;
- the Eonia index for Euro 135 million.

## FINANCIAL RISK MANAGEMENT

Although Interbanca is permitted to maintain an open position in foreign currencies it does not in fact do this preferring, to the extent such exposure is not matched, to hedge this risk. The Bank's computer system provides it with information on its foreign currency positions in real time and also ensures the accuracy of Bank's accounts at the end of every day.

Interbanca is also active in hedging against interest risk since most of its assets accrue interest on a fixed rate basis whilst most of its liabilities accrue it on a floating rate basis. The interest rate risk on the Bank's assets and liabilities is valued on a monthly basis although it monitors the position continuously and ensures that it remains within specified daily parameters.

Interbanca's securities portfolio (both trading and investment) as well as the derivatives transactions linked to such securities are marked-to-market on a daily basis. Strict limits are applied both in relation to the treasury position overall and also in relation to trades with individual counterparties.

Set out below is a table showing the maturity analysis of selected balance sheet items as at 31<sup>st</sup> December, 2002:

In thousands of Euro	Specified maturity								Open contracts
	On demand	Up to 3 months	From 3 to 12 months	From 1 to 5 years		Over 5 years			
				Fixed rate	Index-linked rate	Fixed rate	Index-linked rate		
<b>1. Assets</b>	<b>181,003</b>	<b>3,094,225</b>	<b>6,562,973</b>	<b>5,527,652</b>	<b>4,623,944</b>	<b>1,112,149</b>	<b>1,147,133</b>	<b>165,258</b>	
1.1 Treasury certificates eligible for refinancing	–	–	–	–	–	–	–	–	
1.2 Due from banks	88,790	177,861	14,400	57,482	73,053	50,026	–	1,665	
1.3 Loans to customers	92,213	755,007	1,670,133	1,683,802	2,305,494	422,306	690,207	163,593	
1.4 Bonds and other debt securities	–	36	36,740	16,752	8,346	20,049	61,013	–	
1.5 Off-balance sheet transactions	–	2,161,321	4,841,700	3,769,616	2,237,051	619,768	395,913	–	
<b>2. Liabilities</b>	<b>510,671</b>	<b>4,177,782</b>	<b>7,310,363</b>	<b>5,685,376</b>	<b>2,798,695</b>	<b>1,336,232</b>	<b>505,909</b>	<b>–</b>	
2.1 Due to banks	185,591	277,187	60,158	14,627	84,086	4,715	58,315	–	
2.2 Due to customers	308,082	5,389	2,319	–	–	–	–	–	
2.3 Securities issued									
– bonds	2,614	704,261	1,085,773	1,744,886	2,665,019	421,092	322,065	–	
– certificates of deposit	14,374	41,483	17,700	20,600	–	–	–	–	
– other	–	5,005	–	25,001	–	–	–	–	
2.4 Subordinated loans	–	–	30,992	–	49,585	148,740	–	–	
2.5 Off-balance sheet transactions	10	3,144,457	6,113,421	3,880,262	5	761,685	125,529	–	

The category "On demand" includes assets and liabilities with a remaining maturity not exceeding 24 hours.

The category "Open contracts" includes overdue loans and non-performing loans together with the obligatory deposit fund.



## CAPITAL AND SHARES

According to Art. 5 of the By-laws of the Bank, the Bank's capital is Euro 180,898,932 divided into 60,299,644 shares at the par value of Euro 3 each.

The Extraordinary Shareholders' Meeting of 24<sup>th</sup> April, 2002, empowered the Board of Directors, pursuant to Section 2443 of the Italian Civil Code ("C.C."), with the authority for the period of five years from the date of the aforementioned Shareholders' Meeting, to increase the share capital, in one or more occasions, for a maximum of Euro 6,000,000 by issuing up to a maximum of 2,000,000 ordinary shares with a par value of Euro 3 each, to service the optional rights reserved to employees identified for the purpose indicated by the Bank's corporate bodies, pursuant to Section 2441, last paragraph, C.C., as provided for in the stock option plan duly approved by the aforementioned Shareholders' Meeting.

On 14<sup>th</sup> December, 2000, the Extraordinary Shareholders' Meeting resolved to issue a hybrid subordinated bond issue convertible into ordinary shares (Upper Tier II) for a maximum of Euro 158,655,888, divided into 9,915,993 bonds at the minimum value of Euro 14,5 and the maximum value of Euro 16 each, and simultaneously resolved to increase the capital for Euro 29,747,979 by the issuance of 9,915,993 new shares at the par value of Euro 3 each, to be attributed to the holders of the convertible bonds who request conversion at the rate of 1 new share at the par value of Euro 3 for 1 bond. See "CAPITALISATION OF THE BANK" for further details.

The capital can be increased – without prejudice to that set forth in Section 2438 C.C. – even by the issuance of shares having different rights, other financial instruments and also by the contribution of credits or assets in kind.

As at 31<sup>st</sup> December, 2002 Banca Antonveneta owned 64.67 per cent. of the Bank's share capital.

## **Merchant banking**

### **Equity investments**

Interbanca's equity investments were worth approximately Euro 574 million as at 31<sup>st</sup> December, 2002.

It made ten new investments in companies which, together with the increases following share capital increases of eight companies in which it already had interests, led to a total commitment of over Euro 354 million.

It also sold 15 investments (one of which partially) for Euro 63.1 million.

The sales generated net capital gains of approximately Euro 15 million.

The following tables show the new investments made in 2002, the increases in existing equity investments and sales.

Reference should be made to the 2002 Interbanca's Annual Report for further information on the individual companies.

### **New equity investments made in 2002**

	in thousands of Euro	Business sector
<b>Merchant banking</b>		
ASM Brescia S.p.A. . . . .	12,342	Multiutility
Edipower S.p.A. . . . .	50,029	Electricity
Elica Service S.r.l. . . . .	26	Financial holding company
Idra Partecipazioni S.p.A. . . . .	1,520	Financial holding company of Idra Presse S.p.A., active in press production sector
ION Trading Software Solutions Ltd. . . . .	160	Software for the financial sector
Limoni S.p.A. . . . .	20,658	Distribution of perfumery and cosmetic products
Modernelite Ltd. . . . .	480	Software for the financial sector
Omniapartecipazioni S.p.A. . . . .	6,700	Financial holding company
Progetto 26 S.p.A. (Vetroarredo S.p.A.) . . . .	19,180	Glass production and manufacturing
Valvitalia S.p.A. (former Itaval S.r.l.). . . . .	1,650	Financial holding company of group that produces valves for energy and plant engineering sectors
<b>Other equity investments</b>		
Meraklon S.p.A. . . . .	630	Synthetic fibers
<b>Total investments</b> . . . . .	<b>113,375</b>	

### **Investments made to equity investments held at 31<sup>st</sup> December, 2001**

	in thousands of Euro	Business sector
<b>Merchant banking</b>		
Astaldi S.p.A. . . . .	33,105	Construction / Large construction
Bios S.p.A. . . . .	57,264	Holding of majority control of Snia
Convergenza S.C.A. . . . .	375	Investment company in high tech sectors
Hopa S.p.A. . . . .	99,964	Financial holding company
Imprenditori Associati S.p.A. . . . .	133	Special purpose vehicle for Ente Tabacchi Italiani tender
Société de Participations Ricordeau S.A. . . . .	5,772	Financial holding company with investments in car components manufacturers
<b>Equity investments</b>		
Interbanca International Holding S.A. . . . .	45,000	Financial holding company
<b>Total investments</b> . . . . .	<b>241,613</b>	

## Sales made in 2002

	in thousands of Euro	Business sector
<b>Merchant banking</b>		
Acqua Santa di Roma S.p.A. . . . .	258	Mineral water
Agorà Investments S.p.A. . . . .	530	Special purpose vehicle holding investments in airport management company
Astaldi S.p.A. (*) . . . . .	15,173	Construction / Large construction
Bell S.a.r.l. . . . .	7,412	Company which had majority control of Olivetti S.p.A.
Camuzzi Gazometri S.p.A. . . . .	5,165	Gas
Finec Holding S.p.A. . . . .	5,268	Financial holding company
G.B.S. Group S.p.A. . . . .	2,582	Production of machinery for cereals processing and conveying
Guaber S.p.A. . . . .	516	Production and marketing of perfumery and toiletry articles
Modernelite Ltd. . . . .	480	Software for the financial sector
Ridgeway Investment S.A. . . . .	516	Former holding of controlling interest in Negri Bossi S.p.A.
Roal Electronics S.p.A. . . . .	5,239	Electric equipment manufacturer
Scent S.A. . . . .	17,409	Financial holding company
Wiland S.A. . . . .	2,472	Youth clothing
<b>Other equity investments</b>		
Intospace GmbH . . . . .	3	Aerospatial agency
Protos Società Organismo di Attestazione S.p.A. . . . .	31	Certificates for companies performing public works
<b>Total sale.</b> . . . .	<b>63,054</b>	

(\*) partial sale

## Investment banking

Commissions from this sector amounted to approximately Euro 23.9 million.

### *Equity Capital Market*

With respect to IPOs, Interbanca acted as:

- global coordinator in the first IPO on the Italian Stock Exchange in 2002 of Astaldi S.p.A., which was listed on 6<sup>th</sup> June;
- financial advisor to Banca Antonveneta for its listing;
- financial advisor to Fiera di Milano S.p.A. and co-lead manager of the underwriting and placing consortium for its IPO on the Italian Stock Exchange;

With respect to share capital increases, the Bank acted as:

- financial advisor to Intek S.p.A. and sponsor and coordinator of the underwriting and placing consortium for its share capital increase;
- financial advisor to Tecnodiffusione S.p.A. and joint sponsor and coordinator with Euromobiliare of the underwriting and placing consortium for its share capital increase;
- financial advisor to Fin.Part. S.p.A. and joint sponsor and coordinator with Banca Popolare di Intra of the underwriting and placing consortium for its share capital increase;
- financial advisor to Snia S.p.A. and sponsor and coordinator of the underwriting and placing consortium for its share capital increase;

With respect to takeover bids, Interbanca acted as:

- financial advisor to Biosdue S.p.A. in its bid for Snia;
- financial advisor to Holding Machines S.p.A. in its bid for Gildemeister S.p.A.;
- financial advisor to Omniapartecipazioni S.p.A. in its bid for IMMSI S.p.A..

Interbanca was also the financial advisor of e-Via S.p.A. for its merger with e-Planet S.p.A..

The Bank's equity capital market business has more than doubled with respect to 2001 earning commissions of Euro 6.9 million.

*Mergers & Acquisitions (M&A)*

Interbanca acquired 24 new mandates and successfully concluded 12 transactions during the year. In December, it also finalized agreements for a further four transactions which have been executed in the first quarter of 2003. It assisted Snia group, Finsiel group (Telecom Italia group), Unical Invest, Forgital group, Rodriquez Cantieri Navali and its parent Banca Antonveneta with its merger with Banca di Credito Popolare di Siracusa. Commissions from this sector amounted to approximately Euro 4 million.

*Advisory services*

The main advisory service transactions related to equity investment and other merchant banking activities, which generated total revenues of Euro 13.1 million, included assistance provided to Concordia Finance S.A., Progetto 26 S.p.A. and Fondiaria S.p.A./Sai S.p.A.

## THE INCOME STATEMENT

The year on year increase in net income (over 14 per cent) was achieved with positive revenues, tight control of operating costs, the continued timely assessment of risks and ongoing contribution of extraordinary income.

The Bell/Olimpia transaction had already contributed to the 2001 income and brought more than Euro 100 million to the income statement arising from:

- collection of dividends;
- purchase/sale of the Olimpia bonds in subsequent stages;
- sale of the entire investment in Bell S.A..

The transfer of the Russia securities from the investment securities to the trading securities portfolio, in line with the change in the Bank's policy aimed at reducing investments not of an equity nature, and their partial sale with the remainder valued at market value had a positive effect on net income. The Bank sold the rest of the securities at the beginning of 2003 without significant economic effects given the favorable market conditions.

### Summarized reclassified income statement

	Years ended 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in thousands of Euro)</i>		
Net interest income from banking activities . . . . .	92,800	82,875	68,138
Net interest income from dividends . . . . .	126,724	3,205	1,802
<b>Total net interest income . . . . .</b>	<b>219,524</b>	<b>86,080</b>	<b>69,940</b>
Non-interest income . . . . .	101,439	218,934	86,808
<b>Total income . . . . .</b>	<b>320,963</b>	<b>305,014</b>	<b>156,748</b>
Total costs . . . . .	(71,647)	(69,980)	(53,571)
<b>Operating result . . . . .</b>	<b>249,316</b>	<b>235,034</b>	<b>103,177</b>
Adjustments/write-backs and charges. . . . .	(34,802)	(43,867)	(26,157)
<b>Income from operating activities . . . . .</b>	<b>214,514</b>	<b>191,167</b>	<b>77,020</b>
Extraordinary income and expense . . . . .	5,262	5,245	3,404
<b>Income before taxes . . . . .</b>	<b>219,776</b>	<b>196,412</b>	<b>80,424</b>
Income taxes for the year . . . . .	(86,350)	(80,100)	(33,053)
<b>Net income for the year . . . . .</b>	<b>133,426</b>	<b>116,312</b>	<b>47,371</b>

## Net interest income

The 12 per cent. growth in net interest income is due to:

- greater average amounts granted;
- improvement in the interest rates applied to new financing;

while net interest income from dividends benefited from:

- the results arising from the closing of the Bell/Olimpia transaction. It should be noted that even if these significant results are excluded, dividends would have nevertheless increased by approximately Euro 11 million with respect to 2001.

### **Analysis of net interest income**

	Years ended 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in thousands of Euro)</i>		
Interest income . . . . .	407,686	446,563	478,713
Interest expense . . . . .	(321,394)	(373,490)	(420,834)
Gross default interest . . . . .	9,438	10,545	12,179
Gross default interest adjustments . . . . .	(2,930)	(743)	(1,920)
<b>Net interest income from banking activities . . . . .</b>	<b>92,800</b>	<b>82,875</b>	<b>68,138</b>
Dividends . . . . .	126,724	3,205	1,802
<b>Net interest income . . . . .</b>	<b>219,524</b>	<b>86,080</b>	<b>69,940</b>



## Non-interest income

### Analysis of non-interest income

	Years ended 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in thousands of Euro)</i>		
Commission income . . . . .	76,806	58,681	53,250
Commission expense . . . . .	(2,024)	(4,728)	(2,415)
Profits (losses) on financial transactions . . . . .	10,605	145,599	10,724
Other operating income, net (capital gains). . . . .	16,052	19,382	25,249
<b>Total non-interest income . . . . .</b>	<b>101,439</b>	<b>218,934</b>	<b>86,808</b>

Net commissions performed well, up more than Euro 20 million on 2001. Other operating income/charges decreased slightly although they continued to make up a large part of total operating income.

The change in the make up of total income favoring interest income to non-interest income was due to the impact of dividends and profits (losses) on financial transactions, mainly due to the posting of the effects of the Bell/Olimpia transaction in 2001 and 2002, as shown in the table below:

### Ratios including the Bell/Olimpia transaction

	Years ended 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in %)</i>		
Total net interest income/total income . . . . .	68.4	28.2	44.6
Non-interest income/Total income . . . . .	31.6	71.8	55.4

Excluding the effects of the Bell/Olimpia transaction on the income statement, the impact of non-interest income and interest income components on total income would be substantially even, confirming the Bank's strategy aimed at the uniform development of its business sectors.

### Ratios excluding the Bell/Olimpia transaction

	Years ended 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in %)</i>		
Total net interest income/Total income . . . . .	50.4	54.4	44.6
Non-interest income/Total income . . . . .	49.6	45.6	55.4

### Commissions

Net commissions continued to increase (+38.6 per cent), confirming the positive growth of this contributor to total revenues.

The following tables give a breakdown of commissions by main business area, highlighting the increase in the advisory service and corporate components. Despite the negative market situation, the M&A and Equity Capital Market businesses also improved their year-end results.

Commissions from preliminary investigations of loan requests (Laws no. 488 and no. 46) were also very positive assisted by the number of tenders issued by the related authorities.

A comparison of funding commissions with those of 2001 is not possible as those of the latter period related to extraordinary transactions. They were in line with budget figures.

## Analysis of commission income by business area

	Years ended 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in thousands of Euro)</i>		
<b>Investment banking</b>			
Advisory services . . . . .	13,060	8,632	14,347
Equity Capital Market . . . . .	6,878	2,323	2,128
M&A . . . . .	3,957	4,077	1,623
<b>Total</b> . . . . .	<b>23,895</b>	<b>15,032</b>	<b>18,098</b>
<b>Banking activities</b>			
Corporate . . . . .	30,457	14,878	19,640
Preliminary investigations of loan requests . . . . .	5,443	6,096	3,357
Recoveries of expenses and other revenues from loans to customers . . . . .	5,170	5,693	5,168
<b>Total</b> . . . . .	<b>41,070</b>	<b>26,667</b>	<b>28,165</b>
<b>Funding</b>			
Equities other than securities . . . . .	8,333	13,203	5,427
Placement of securities . . . . .	201	1,005	1,120
<b>Total</b> . . . . .	<b>8,534</b>	<b>14,208</b>	<b>6,547</b>
<b>Other</b> . . . . .	<b>3,307</b>	<b>2,774</b>	<b>440</b>
including: securitizations. . . . .	1,300	2,738	263
<b>Total commission income</b> . . . . .	<b>76,806</b>	<b>58,681</b>	<b>53,250</b>

## Profits on financial transactions

The variation in profits on financial transactions was partly due to the Bell/Olimpia transaction. If this transaction were excluded, the caption would show an increase of approximately Euro 15 million.

The transfer of the Russia securities from the investment securities to the trading securities portfolio and their partial sale for a nominal value of Euro 10 million, generating a gain of Euro 1.2 million, with the remainder valued at market value generating a recorded profit of Euro 8.4 million had a positive effect on this caption. As described in greater detail in the section on significant post balance sheet events, the Bank sold the rest of the securities in early 2003 without significant economic effects.

## Analysis of profits (losses) on financial transactions

	Years ended 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in thousands of Euro)</i>		
Government securities . . . . .	(217)	153	(535)
Bonds . . . . .	16,398	74,890	7,996
Shares . . . . .	(1,840)	66,505	6,356
Interest rate swaps (*) . . . . .	(5,349)	3,506	(3,073)
Options (**). . . . .	1,167	535	1,506
Futures . . . . .	(711)	(416)	(43)
Exchange rate contracts . . . . .	1,157	426	(1,483)
<b>Total</b> . . . . .	<b>10,605</b>	<b>145,599</b>	<b>10,724</b>

(\*) Interest rate swaps only include income from the trading of such swaps and valuations.

(\*\*) Options include options on securities, exchange rates, futures, commodities and others.

### Other operating income/charges

Capital gains on the sale of equity investments, while significant, decreased by approximately Euro 3.3 million with respect to the end of 2001 due to the timing and opportunity dynamics of the sale cycle. Equity investments are mainly made in capital of companies which are thus affected by general economic conditions and financial market trends.

### Analysis of other operating income/charges

	Years ended 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in thousands of Euro)</i>		
Net capital gains . . . . .	14,884	19,190	25,128
Net income on options on structured securities . . . . .	—	42	—
Other net income . . . . .	1,168	150	120
<b>Total . . . . .</b>	<b>16,052</b>	<b>19,382</b>	<b>25,248</b>

### Operating costs

	Years ended 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in thousands of Euro)</i>		
Personnel expenses . . . . .	37,158	37,289	27,467
including: <i>fixed</i> . . . . .	27,049	26,511	24,107
<i>Variable</i> . . . . .	10,109	10,778	3,360
Other administrative expenses . . . . .	28,536	27,165	21,141
Amortization/depreciation . . . . .	5,953	5,526	4,962
<b>Total . . . . .</b>	<b>71,647</b>	<b>69,980</b>	<b>53,570</b>

The containment of operating costs during the year notwithstanding the ongoing growth of the Bank, is mainly attributable to:

- the slight increase in fixed personnel expenses with respect to total wages and salaries consisting of a large variable part related to attainment of sector objectives and the Bank's net result for the year;
- a modest increase in administrative expenses, mainly due to the rationalization of expenses related to general services, smaller management and maintenance requirements for the IT system and reduction in marketing and advertising costs.

Significant depreciation was charged related to the restructuring and upgrading of the Bank's buildings.

	Years ended 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in %)</i>		
<b>Total operating costs / Total income . . . . .</b>	22.3	22.9	34.2

### Personnel expenses

As in 2001, the personnel expenses/total income ratio decreased while the standard personnel productivity ratios were in line with the previous year.

	Years ended 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in %)</i>		
<b>Personnel expenses / Total income . . . . .</b>	11.6	12.2	17.5

## Personnel productivity ratios

	Years ended 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in thousands of Euro)</i>		
Total income / Average no. of employees . . . . .	849	840	437
Added value per employee * . . . . .	758	750	364
Operating result / Average no. of employees . . . . .	660	647	287
<b>Total assets / Average no. of employees . . . . .</b>	<b>25,149</b>	<b>23,588</b>	<b>21,818</b>

\* (Operating result + Personnel expenses) / Average no. of employees

## Operating result

The operating result of Euro 249.3 million grew by more than Euro 14 million on the already significant 2001 figure.

	Years ended 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in thousands of Euro)</i>		
<b>Operating result . . . . .</b>	<b>249,316</b>	<b>235,034</b>	<b>103,177</b>
	<i>(in %)</i>		
Operating result / Total average assets . . . . .	2.76	2.87	1.39

## Adjustments, write-backs and charges to allowances for risks

	Years ended 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in thousands of Euro)</i>		
Net adjustments to loans . . . . .	(21,409)	(18,872)	(13,132)
Charges to allowance for general credit risk . . . . .	(7,766)	(24,503)	(9,932)
Net adjustments to financial fixed assets . . . . .	(5,627)	(492)	(3,093)
<b>Total . . . . .</b>	<b>(34,802)</b>	<b>(43,867)</b>	<b>(26,157)</b>

## Adjustments and write-backs of adjustments to loans

The analytical assessments of the customers' solvency led to the posting of net adjustments held adequate considering the overall loan portfolio risk profile.

	Years ended 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in thousands of Euro)</i>		
Adjustments to loans . . . . .	(30,811)	(26,459)	(23,896)
Write-backs of adjustments to loans . . . . .	9,402	7,587	10,764
<b>Net adjustments to loans . . . . .</b>	<b>(21,409)</b>	<b>(18,872)</b>	<b>(13,132)</b>

### Charges to allowance for general credit risk

Charges to the allowance for general credit risk were made for default interest considered to be recoverable (approximately Euro 5.8 million) and to the allowance “for other loans” for possible future risks (Euro 2 million).

	Years ended 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in thousands of Euro)</i>		
Default interest . . . . .	(5,766)	(9,503)	(9,932)
Other loans . . . . .	(2,000)	(15,000)	—
<b>Charges to allowance for general credit risk . . . . .</b>	<b>(7,766)</b>	<b>(24,503)</b>	<b>(9,932)</b>

### Adjustments and write-backs of adjustments to financial fixed assets

The adjustments mainly relate to variations made before the sale of Bell S.A. (Euro 4.2 million) and also to minor variations made to merchant banking investments (Euro 2.2 million).

The write-backs of adjustments to financial fixed assets refer to the improvement in the classification of the issuer country and reviews of the discounting of interest rates.

	Years ended 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in thousands of Euro)</i>		
Adjustments . . . . .	(6,394)	(1,397)	(3,441)
Write-backs . . . . .	767	905	348
<b>Net adjustments . . . . .</b>	<b>(5,627)</b>	<b>(492)</b>	<b>(3,093)</b>

### Income from operating activities

Income from operating activities of over Euro 214 million increased by 12.2 per cent. on 31<sup>st</sup> December, 2001. The positive trend of the income from operating activities/total income ratio is worthy of notice.

	Years ended 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in thousands of Euro)</i>		
<b>Income from operating activities . . . . .</b>	<b>214,514</b>	<b>191,167</b>	<b>77,020</b>
	<i>(in %)</i>		
Income from operating activities/Total income . . . . .	66.8	62.7	49.1

### Extraordinary income and expense

As in the previous year, extraordinary income contributed significantly to the year-end result, especially the release from the allowance for general credit risk for excess default interest. Extraordinary income included 2001 dividends from the subsidiary Interbanca Gestione Investimenti SGR due to the change to the accounting policies adopted by the Bank effective from 1 January 2002.

Extraordinary expense included leaving incentives and prior year losses on loans principally for the adjustment of default interest matured on loans which were repaid at the beginning of 2002 in “correct” foreign currency.

### Income taxes, tax rate and net income for the year

Income before taxes increased 11.9 per cent. to Euro 219.8 million. If the income taxes for the year, at a rate of 39.3 per cent, are deducted, the net income for the year is Euro 133.4 million, an increase of 14.7 per cent. on 31<sup>st</sup> December, 2001.

	Years ended 31 <sup>st</sup> December,		
	2002	2001	2000
	<i>(in thousands of Euro)</i>		
<b>Income before taxes</b> . . . . .	<b>219,776</b>	<b>196,412</b>	<b>80,424</b>
Income taxes for the year . . . . .	(86,350)	(80,100)	(33,053)
<b>Net income for the year</b> . . . . .	<b>133,426</b>	<b>116,312</b>	<b>47,371</b>
		<i>(in %)</i>	
<b>% of income taxes on income before taxes (tax rate)</b> . . . . .	<b>39.3</b>	<b>40.8</b>	<b>41.1</b>

## **Premises, management and employees**

### **Premises**

Interbanca's Head Office and General Management are at 56, Corso Venezia, Milan, Italy. It has 11 branches located in Milan, Rome, Naples, Bologna, Turin, Vicenza, Treviso, Bari, Catania, Ancona and Brescia.

## **Board of Directors, statutory auditors and senior management of Interbanca**

### **Board of Directors**

The following are the members of the Board of Directors of Interbanca, the business address of all of which is 56, Corso Venezia, 20121 Milan, Italy.

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Main Position in other companies, if any</u></b>
Francesco Spinelli *	Chairman	General Manager for Italy of ABN AMRO Bank N.V. and Deputy Chairman of Banca Antonveneta
Giuliano Tabacchi	Deputy Chairman	Chairman of 2G Investimenti S.p.A. Director of Venini S.p.A.
Giorgio Ciria *	Managing Director	Chairman of Interbanca International Holding S.A., Director of Interbanca Gestione Investimenti S.G.R. S.p.A. Director of SNIA S.p.A. Director of SIRTI S.p.A.
Antonio Ceola	Director	Chairman of Banca Antonveneta Director of Carraro S.p.A.
Enrico Tomaso Cucchiani	Director	Director of Banca Antonveneta and Chairman and Managing Director of Lloyd Adriatico S.p.A.
Guidalberto Guidi	Director	Deputy Chairman of Confindustria and Chairman of Ducati Energia Chairman of Il Sole 24 Ore S.p.A.
Dino Marchiorello	Director	Director of Banca Antonveneta Director of Lloyd Adriatico S.p.A.
Francesco Micheli *	Director	Merchant Banker and Chairman of E.Biscom S.p.A.
Gianni Mion	Director	Director of Banca Antonveneta Managing Director of Edizione Holding S.p.A.
Massimo Moratti *	Director	Managing Director of Saras S.p.A. Raffinerie Sarde Director of Pirelli S.p.A.
Giuseppe Stefanel	Director	Chairman of Stefanel S.p.A. Chairman of Finpiave S.p.A.
Pierluigi Toti *	Director	Director of Capitalia S.p.A. Chairman and Managing Director of Lamaro Appalti S.p.A.

\* Members of the Executive Committee.

### **Statutory auditors**

The following are the members of the Board of Statutory Auditors of Interbanca:

<b><u>Name</u></b>	<b><u>Title</u></b>
Giovanni Sala	Chairman
Giordano Caprara	Auditor
Paolo Andrea Colombo	Auditor
Cristiano Cerchiai	Alternate auditor
Agostino Crisanti	Alternate auditor
Riccardo Ronchi	Alternate auditor



## Management

The following are the additional members of senior management of Interbanca.

<u>Name</u>	<u>Title</u>
Mauro Gambaro . . . . .	General Manager
Bruno Lecchi . . . . .	Deputy General Manager (Merchant Banking)
Pietro Landriani . . . . .	Central Manager (Credit Division)
Pierino Bozzato . . . . .	Central Manager (Personnel, Organisation & Information System, Accountancy, Planning and Risk Management, Back Office, Non-performing Loans Recovery & Litigation)

## Employees

The number of employees of Interbanca has remained relatively static in recent years. The numbers as at the end of 2002, 2001 and 2000 were 385, 367 and 360, respectively.

## External Auditors

Companies whose shares are listed on the Mercato Telematico Italiano (the Italian Stock Exchange for shares) are required to appoint a firm of external auditors. On 24<sup>th</sup> April, 2002, KPMG S.p.A. was re-appointed as the Bank's external auditors for a three-year period.

## SUBSIDIARIES

As already outlined, at the date hereof, Interbanca controls three subsidiaries: Interbanca International Holding S.A., Interbanca Gestione Investimenti SGR S.p.A. and S.C.C. S.p.A.

### **INFORMATION ON “INTERBANCA INTERNATIONAL HOLDING S.A.”**

In order to be better able to compete with the major Italian and international private equity operators and to provide its corporate customers with a wider range of products, Interbanca set up Interbanca International Holding S.A. in July 2001. This Brussels-based holding company is 90 per cent. controlled by the Bank with 5 per cent. each held by ABN Amro Capital (Belgium) S.A. and Lloyd Adriatico S.p.A. (Allianz group).

The company, with a fully paid-up share capital of Euro 100 million, principally makes investments in mainly foreign-controlled companies.

Its financial statements at 31<sup>st</sup> December, 2002 (its first period of activity from July 2001 to 31<sup>st</sup> December, 2002) has been audited by KPMG Brussels and show the results typical of its start-up position.

Its assets are composed of fixed assets related to its first investments, share portage and bonds convertible into shares of JAP. Its liquidity, earmarked for its institutional private equity transactions, is currently invested in short term products.

The paid-up share capital covers all its equity investments.

The company recorded net income of approximately Euro 39 thousand, being the difference between interest income on its invested liquidity and operating and start-up costs and due to the technical time needed for suitable conditions for the sales of its investments.

Its board of directors consists of five members and includes Giorgio Cirila as Chairman and Mauro Gambaro as Deputy Chairman and Managing Director. They are also the Managing Director and General Manager of Interbanca, respectively. The other directors are Peter Fichtmuller (General Secretary of the European Association of Aerospace Industries), Servaas Houtackers (Managing Partner of RAAD Corporate Services & Management S.A.) and Laurent Nagels (Managing Director of RAAD S.A.).

### **Operations**

#### ***Azelis S.a.r.l.***

The company made its first investment in July 2001 acquiring 15 per cent. of the Luxembourg Azelis S.a.r.l. for approximately Euro 37 thousand and paying Euro 3.3 million for its future share capital increase.

This transaction is part of the acquisition of the French Arnaud group, leader in the French chemical products distribution sector, by Novorchem Distribuzione group, operating in the same sector in Italy.

Azelis finalized its acquisition of the English company Chance & Hunt which has an annual turnover of Euro 47 million in July 2002 as part of its project to group and integrate complementary businesses in Europe.

The acquisition of an investment in Azelis by Chance & Hunt managers meant that Interbanca International Holding's interest decreased to 13.21 per cent.

#### ***Mirror International Holding S.a.r.l.***

In December 2001, Interbanca International Holding acquired 7.36 per cent. of Mirror International Holding S.a.r.l., a Luxembourg newco, for Euro 24.5 million. The Luxembourg company has interests of 20.48 per cent. in Eutelsat (France), 2.76 per cent. of Intelsat (Bermuda), 2.09 per cent. of Inmarsat (UK) and 3.91 per cent. of the listed NSS (Holland).

Eutelsat, Mirror International Holding's main asset, performed well in the year ended 30 June 2002 with revenues of Euro 659 million and an operating result of Euro 322.4 million (the latter significantly better than the budget figure). Its contract portfolio is also positive and totaled Euro 4.1 billion at 30<sup>th</sup> September, 2002 compared to Euro 3.7 billion at 30<sup>th</sup> June, 2002.

Its good performance and strong market position (it is the market leader in Europe) have won the interest of its main competitors that have recently made offers for partnerships and combinations which are currently being assessed by the company and its shareholders.

### ***Concordia Finance S.A.***

In March 2002, the company acquired the aftermarket business of Magneti Marelli with RGZ Finanziaria via the specially set up Luxembourg Concordia Finance from FIAT group as part of its sale of its components business.

Concordia Finance S.A. is 25 per cent. controlled by Interbanca International Holding, 45 per cent. by RGZ with FIAT group holding the other 30 per cent.

Interbanca International Holding invested Euro 6.6 million in the special purpose vehicle, Euro 3.2 million of which invested at the closing and the remainder to be paid thereafter.

Magneti Marelli's aftermarket business produced revenues of approximately Euro 261 million in 2001. Interbanca acted as the advisor to the buying group and the underwriter and arranger of the financing.

### ***Interlopam Invest N.V.***

The company acquired 50 per cent. of Interlopam Invest N.V. in September 2002. This Belgium newco acquired 10 per cent. of IMA S.p.A., listed on the STAR segment of the Italian Stock Exchange. IMA is a leading international manufacturer of automatic machines for the pharmaceutical and tea industries.

Interbanca International Holding's Euro 10.8 million investment was agreed with IMA's majority shareholder, the Vacchi family, which indirectly holds the remaining share capital of Interlopam Invest.

Interbanca granted Interlopam medium term financing of Euro 21.7 million to meet its outstanding commitment.

At 30<sup>th</sup> September, 2002, IMA group recorded consolidated turnover of Euro 202.4 million (+8.5 per cent. on the previous year) and an operating result of Euro 10.7 million (Euro 6.4 million at the end of September 2001).

The IMA's performance is satisfactory given the seasonal nature of this sector's sales where deliveries are concentrated in the last quarter of the year making up more than 40 per cent. of the annual figure.

### **INFORMATION ON "INTERBANCA GESTIONE INVESTIMENTI SGR S.P.A."**

This company, wholly owned by Interbanca that set it up in October 1997, manages closed-end funds which acquire minority interests in companies with high growth rates.

The medium to long term investment time horizon of closed-end funds differentiates the company's investment policies from those directly performed by Interbanca.

Moreover, in the case of equity investments held in the same company, these must not be added together to show them as a majority holding given the different composition of the internal bodies in the Bank and Interbanca Gestione Investimenti SGR.

The company recorded income of approximately Euro 585 thousand at 31<sup>st</sup> December, 2002, net of income taxes of roughly Euro 520 thousand. These taxes were mostly due on management commissions which exceeded Euro 2 million for the year.

It currently manages three funds:

- Interbanca Investimenti which principally invests in established Italian companies active in the industrial and services sectors without specializing in any one segment;
- Interbanca Investimenti Due, which mainly invests in medium size, unlisted Italian companies that are well established and active in the industrial and services sectors;
- Interbanca Investimenti Sud, which will focus on unlisted companies based in or operating in southern Italy.

IGI's Board of Directors consists of seven members and is chaired by Mauro Gambaro. The other directors are Michelangelo Canova (Financial Manager of Lloyd Adriatico), Antonio Ceola (Chairman of Banca Antonveneta), Giorgio Cirila, Maurizio Dallochio (Professor at the Milan based "Bocconi University"), Ubaldo Livolsi (Livolsi & Partners) and Cino Ricci.

## Operations

### *Fondo Interbanca Investimenti*

This first fund managed by the company made a new investment in Holtronics S.p.A. of Euro 3.4 million. With respect to investments already made in the past, it should be noted that:

- Ridgeway S.A., in which the Fund had a 14.28 per cent. interest, finalized liquidation procedures in order to distribute the liquidity arising from the sale of Negri Bossi shares.

The excess value generated by the transaction amounted to Euro 2.8 million, 134 per cent. of the originally invested amount;

- it wrote off its investment in Winsome S.A., a web media agency, which was still on its books for approximately Euro 200 thousand, following the latest losses recorded in 2002;
- it wrote down its investment in Convergenza S.C.A., a Luxembourg holding company, by Euro 494,086, in line with the reduction in net equity as per the latest approved financial statements.

The Fund had a portfolio of Euro 60.2 million at year end, 79 per cent. of which invested in 13 unlisted companies. The increase in the Fund's unit prices of Euro 230 is equal to roughly 4 per cent. on an annual basis with reference to the unit value at 2001 year end.

From 26<sup>th</sup> February, 2002, the fund units, split into ten portions for listing purposes, are traded on the MTF – Fondi Chiusi segment of the Italian Stock Exchange. The closing price at 30<sup>th</sup> December, 2002 was Euro 4,180, while the average price since beginning of trading to 30<sup>th</sup> December, 2002 was Euro 4,313.27.

### *Fondo Interbanca Investimenti Due*

The Fund executed eight investments for an overall amount of Euro 22.6 million during the year. In particular,

- it acquired 14.4 per cent. of Fincastel S.p.A., a special purpose vehicle set up to acquire 100 per cent. of Castel S.p.A., for Euro 3.9 million;
- it acquired a 15 per cent. investment in Sachman, Reggio Emilia, one of the leaders in the production of fixed worktable milling machines and work stations, for roughly Euro 2.3 million;
- it acquired 60 per cent. of Berni S.r.l., a special purpose vehicle which acquired the pickled food and cold seasonings business from Nestlé group together with the Berni, Condiriso, Condi pasta and Louit Frères labels, for Euro 1.9 million;
- it acquired 16 per cent. of G.R.H. (Gambero Rosso Holding) for Euro 2.4 million. Since 2002, this holding company heads the publishing group Gambero Rosso, a market leader in the Italian food and quality wines guides, magazines and TV programs sector. It also controls the TV channel Gambero Rosso Channel;
- it acquired 50 per cent. of Denne for approximately Euro 2.8 million: this special purpose vehicle had previously acquired 46.9 per cent. of Procomac S.p.A., one of the main producers of sterile environment bottling plants.
- it acquired 15 per cent. of Ludostore Network S.p.A., the first Italian chain specialized in the retail sale of video games, consoles and DVDs, paying Euro 0.9 million;
- it acquired 11 per cent. of Cavotec Holdings N.V., active in the mobile medium power (2 Mw) electrification systems sector, for Euro 3.3 million, by subscribing new shares and bonds for Euro 1.4 million of which used to underwrite convertible bonds issued by the investee company;
- it acquired, jointly with Kairos Partners Private Equity Fund, 24 per cent. of Marsilli & Co. S.p.A. by subscribing a Euro 10 million share capital increase made to assist its business plan. This plan provides for the company's expansion into emerging markets and extension of its core business in the industrial automation sector.

Marsilli & Co. is one of the major international constructors of high tech automatic machinery and lines for the production of winding parts, used by the leading commodities sectors and for civil and industrial electromechanical applications.

At year end, the fully paid-up Fund had a portfolio of Euro 50 million, 45 per cent. of which invested in the above eight companies. As at 31<sup>st</sup> December, 2002, the Fund's unit prices amounted to Euro 49,953.

#### *Fondo Interbanca Investimenti Sud*

The Fund had a portfolio of Euro 46.8 million at year end, reserved to qualified investors. It managed to meet its objective of collecting Euro 50 million in February 2003. Research into certain investments in southern Italy is at an advanced stage.

#### **INFORMATION ON “SCC S.P.A.”**

This company is a multi purpose vehicle set up in accordance with Italian legislation on securitization transactions (Law no. 130/99) on 30<sup>th</sup> September, 1999. It exclusively securitizes receivables from non-banking companies.

At year end, the fully paid-up share capital of Euro 200 thousand or 200 shares was held by Interbanca (95 per cent) and ABN AMRO Bank (5 per cent). Interbanca acquired the other bank's stake on 27<sup>th</sup> January 2003 at the shares' nominal value.

Given the very nature of the company, it achieves a substantially break-even result and recorded a loss of approximately Euro 13 thousand at 31<sup>st</sup> December, 2002.

SCC's Board of Directors consists of four members and is chaired by Mauro Gambaro. The other directors are Bruno Lecchi (Deputy General Manager of the Bank), Pietro Landriani (Central Manager of the Bank) and Marco Reboa (Professor at the Castellanza based Carlo Cattaneo University – LIUC).

#### **Operations**

At 31<sup>st</sup> December, 2002, it was involved in a securities issue made in June 2000 against the receivables sold by Leasinvest S.p.A., the financial and leasing company of CONAD group. The transaction involves the securitization of a portfolio of performing receivables on leases and loans to customers for a total amount of approximately Euro 80.4 million. SCC financed the transaction by issuing three classes of securities in June 2000, maturing on 11<sup>th</sup> June, 2012, for a total of approximately Euro 67 million pursuant to Law no. 130/99. The class A securities, with an initial amount of Euro 35.4 million and residual of Euro 21.4 million at 31<sup>st</sup> December, 2002 and an AAA rating from Fitch, are listed on the Luxembourg stock exchange and have been placed with Italian and foreign investors.

## SIGNIFICANT POST BALANCE SHEET EVENTS

### OVERVIEW OF THE BANK'S PERFORMANCE DURING THE FIRST QUARTER OF 2003

#### Statement of Income

The quarter's good results are in line with the annual budget reflecting the continuing growth trend.

The 5.3 per cent. increase in net interest income over the previous year is very positive.

Total income of Euro 41 million was affected by the downturn in non-interest income caused by the general market stagnation, especially as regards the structured finance sector.

Operating costs decreased 10.9 per cent. with respect to the first quarter of 2002.

The operating result amounts to Euro 26 million.

Income from operating activities exceeds Euro 22 million in line with the budget forecasts.

#### Loans

Loans to customers were substantially in line with the 2002 amounts during the quarter thanks to the new financing granted of more than Euro 630 million. The Bank has continued to be involved in significant extraordinary finance transactions.

#### Funding

##### *Own portfolio – 31/3/2000 – 31/3/2030 floating rate "Russia" securities*

The Bank sold the Russian securities held in its trading portfolio during the first few weeks of 2003 in several installments, given the favorable market conditions, for an average price of Euro 81.36. These sales generated profits of Euro 1.2 million.

#### Merchant Banking

*Equity Investments:* the Bank had outstanding investments of approximately Euro 580 million. The most significant events to be mentioned are the following:

- an increase in the investment in ASM Brescia, for €3 million, with the Bank's interest thus increased to 1.148 per cent;
- the sale of the entire holding in Alpi Eagles S.p.A., with no effect on the result for the year;
- the full depreciation of the stake in Idra Partecipazioni S.p.A., as a consequence of the appointment of a liquidator for their subsidiary Idra Presse. The liquidator's mandate is to agree a business unit rent contract with a new company in order that the company's business is continued.

*Investment Banking:* this business continues successfully and the most significant transactions include Snia's share capital increase where the Bank acted as financial advisor, and the takeover bid for Immsi made by Omniapartecipazioni.

## ACQUISITION TENDER OFFER FOR INTERBANCA S.p.A.

In their meeting of 13<sup>th</sup> November, 2002, the directors of Banca Antonveneta decided to commence a radical restructuring of the group aimed at creating value both by strengthening the existing structures and by continuing the creation of specialist units focused on specific products and customers.

The project's main objectives are thus:

- creation of a holding bank, the only group company to be listed, in order to monitor and supervise the group's three business units;
- concentration on retail banking activities by a newly set-up bank arising from the spin-off of business and branches of Banca Antonveneta S.p.A.;
- continuation by Interbanca S.p.A. of corporate, investment and merchant banking activities and development of such services to the whole group;
- takeover by AAA Bank S.p.A. (wholly owned by the holding bank) of the wealth management and insurance products sectors, again for the whole group.

Accordingly, during the meeting the directors approved the making of a complete acquisition tender offer for Interbanca's share capital, as allowed by article 102 of the Legislative Decree No. 58 of 24<sup>th</sup> February, 1998, offering a unit price of Euro 20.50 per ordinary share to be paid for in cash. This bid, which includes other financial instruments linked to the Interbanca shares, has the aim of acquiring Interbanca's entire share capital and its delisting from the Italian Stock Exchange.

On 15<sup>th</sup> January, 2003 with the lodging of the acquisition tender offer documents with Consob, Banca Antonveneta informed the market of its bid which consisted of an irrevocable purchase offer, regardless of the number of financial instruments in circulation, for:

- 18,547,434 ordinary Interbanca shares, with dividend rights from 1<sup>st</sup> January, 2002, equal to 36.50 per cent. of the Bank's share capital;
- 579,013 convertible bonds issued by Interbanca relating to the "Upper Tier II hybrid subordinated Interbanca S.p.A. 2.50 per cent. 2001/2011 bonds convertible into ordinary own shares", equal to 579,013 shares or 1.14 per cent. of the Bank's share capital;
- 10,777 convertible bonds issued by Banca Antonveneta S.p.A. relating to the "Banca Antoniana Popolare Veneta S.c.p.ar.l. 3.75 per cent. 2000-2005 bonds convertible into ordinary Interbanca S.p.A. shares" equal to 2,694,250 converted shares or 5.30 per cent. of the Bank's share capital;
- up to a maximum of 3,273,263 ordinary shares with dividend rights from 1<sup>st</sup> January, 2003 issued following the exercise of the conversion right for the above bonds into ordinary Interbanca S.p.A. shares.

Banca Antonveneta announced in the offer document that if the voluntary tender offer would have led to its holding more than 90 per cent. of the Bank but less than 98 per cent, it would have made a residual offer for the financial instruments included in the bid. Should it hold more than 98 per cent. after either the acquisition tender offer or the residual offer, it will avail of the right to purchase the shares with voting rights within four months from the payment date of the offer which gives it control of 98 per cent. However, if Banca Antonveneta will not manage to acquire 100 per cent. of the Bank after either the acquisition tender offer or residual offer, it will assess whether the Bank should be merged into it and then spun-off.

At the end of the public tender offer, taken place between 17<sup>th</sup> February and 14<sup>th</sup> March, 2003, Banca Antonveneta came to hold 96.004 per cent. of Interbanca's share capital, thus triggering the residual-acquisition tender offer requirement.

On 8<sup>th</sup> May, 2003, Banca Antonveneta filed with Consob a draft of the offer document for the residual-acquisition tender offer and an additional voluntary tender offer for Interbanca and Antonveneta bonds convertible into Interbanca ordinary shares and the Interbanca ordinary shares deriving from the exercise of Antonveneta warrants and on 21<sup>st</sup> May, 2003 Consob fixed the offer price and cleared the offer document. Both the offers will remain open from 3<sup>rd</sup> June to 7<sup>th</sup> July, 2003. It must be added that at the date of the offer document Banca Antonveneta had taken no formal action for the possible merger of the Bank into it.



As mentioned, the operation promoted by Banca Antonveneta is multiple and consists of:

- a) a residual-acquisition tender offer for 2,410,307 Interbanca ordinary shares; and
- b) a voluntary tender offer pursuant to Article 102 of Legislative Decree 58/1998 for:
  - i) No. 9,708 bonds of the “Upper Tier II hybrid subordinated Interbanca S.p.A. 2.50 per cent. 2001/2011 bonds convertible into ordinary own shares” (at a price of €19.5 plus accrued interest for each €15 nominal value bond); and
  - ii) No. 529 bonds of the “Banca Antoniana Popolare Veneta S.c.p.ar.l. 3.75 per cent. 2000-2005 bonds convertible into ordinary Interbanca S.p.A. shares” (at a price of €4,875.75 plus accrued interest for each €4,125 nominal value bond); and
  - iii) No. 10,995,887 Interbanca ordinary shares acquired by holders of warrants following the exercise thereof, equal to 18.2 per cent. of Interbanca’s present share capital (at a price of €19.5). Actually, on the 15<sup>th</sup> May, 2003, Banca Antonveneta’s investors who have held the shares placed in the IPO for a year have been assigned No. 7.5 warrants for every 100 Banca Antonveneta shares owned for a maximum number of 10,995,887. Each warrant may be exercised by 22<sup>nd</sup> May, 2006 and allows the purchase from Banca Antonveneta of one Interbanca share against payment of the consideration of €14.00.

Borsa Italiana announced that, if at the completion of the new offers, Banca Antonveneta will still own a stake of 90 per cent. or more in the share capital of Interbanca, it will delist the Interbanca shares and the bond denominated “Upper Tier II hybrid subordinated Interbanca S.p.A. 2.50 per cent. 2001/2011”. Given the fact that at the date of this Offering Circular Banca Antonveneta already owns a stake of 90.945% in Interbanca’s share capital, Borsa Italiana, at completion of the offers, will proceed with the above mentioned delistings.

At the completion of the reorganisation process, the Bank will serve the group’s corporate customers providing them with extraordinary financial services and products including financing, capital market, treasury products, investment banking, merchant banking and corporate finance. The Bank’s customer portfolio will be built up from its own base of customers to include those of Banca Antonveneta with a certain minimum turnover level. It will also market the products and services provided by the other group banks. Once this reorganization has taken place, the group will have all the cards for becoming one of the major players in the domestic banking sector.

## DESCRIPTION OF BANCA ANTONVENETA GROUP

### Overview

With total assets of €49.6 billion, 1,055 branches (including foreign branches) and 10,907 employees as at 31<sup>st</sup> December, 2002, the Banca Antonveneta Group (“BAG”) is one of the major Italian banking groups.

Established in 1996 following the merger of two co-operative banks historically operating in north-eastern Italy, Banca Antonveneta is both the parent company of the BAG and the BAG’s largest commercial banking entity. Banca Antonveneta co-ordinates and monitors the BAG’s activities and maintains the relationship of the same BAG with the Bank of Italy. With effect from its listing date on 15<sup>th</sup> April, 2002, Banca Antonveneta has become a joint stock company and is currently listed on the Italian Stock Exchange (Mercato Telematico Azionario) and included in the Mib30 Index. Banca Antonveneta has a limited duration as a joint stock company of up to 31<sup>st</sup> December, 2100, unless such duration is extended.

The BAG has grown by a strategy of external growth, realised through the acquisition of several local banks and of Banca Nazionale dell’Agricoltura S.p.A. (“Bna”). Bna represents the most important acquisition made by Banca Antonveneta, both in terms of size and in terms of distribution network. The acquisition of Bna allowed BAG to extend its own branch-coverage on a nationwide basis.

The BAG provides a wide range of banking services based on the idea of the universal banking model. The BAG’s core activities consist of commercial banking, retail banking, payment services, treasury and securities dealing and brokerage activities, asset management and private banking, bancassurance, and merchant banking.

### History

Banca Antonveneta, originally established as a joint stock co-operative company (Società Cooperativa per azioni a responsabilità limitata, or S.C.p.a. a r.l.), is the result of the 1996 merger of two major co-operative banks based in Padua, Banca Antoniana, S.C. a r.l. (“Banca Antoniana”) and Banca Popolare Veneta, S.C. a r.l. (“Banca Popolare Veneta”), and of the more recent acquisitions of Bna and a number of other smaller banks.

Banca Antoniana was founded in 1893 with the aim, like all similar co-operative credit institutions, of providing banking services and loans to small entrepreneurs, mainly farmers, shopkeepers and craftsmen. In the second half of the 1980s, Banca Antoniana began transforming from a regionally focused bank into a multi-regional bank, as a result of the acquisition of small local banks and of branches of foreign banks, as well as the opening of new branches outside its traditional geographic area of operation.

In the early 1990s, Banca Antoniana entered into agreements with:

- ABN AMRO Bank N.V., in order to widen its range of international financial products to customers;
- Lloyd Adriatico S.p.A., in order to provide customers with bancassurance products; and
- Visa and Mastercard, in order to issue credit cards.

Banca Popolare Veneta was founded in 1866 by the Italian economist and politician Luigi Luzzatti with the principal aim of providing credit facilities to small local businesses in the Padua area. In 1994, Banca Popolare Veneta established a branch in Luxembourg and in 1995 acquired a controlling stake in an on-shore bank in the Republic of San Marino (Credito Industriale Sammarinese).

From 1996 to 2000, the merged entity, Banca Antonveneta, concluded a series of mergers and acquisitions with the aim of constructing a universal banking group with a nation-wide franchise. In particular, between 1996 and 1999, the Banca Antonveneta acquired a series of local banks, mainly based in southern Italy, 55 operating branches from the Banca di Roma Group and purchased a controlling interest in Interbanca S.p.A. in 1997 and in Bna in 1999. In order to expand its activity, Banca Antonveneta established specialised companies in the fields of bancassurance and asset management, including:

- Antoniana Veneta Popolare Vita S.p.A. (“Antonveneta Vita”), an insurance company specialising in life insurance policies, jointly owned with Lloyd Adriatico S.p.A. (1996);
- Antonveneta ABN AMRO Sgr S.p.A. (“AAA SGR”), an asset management company, as the result of a joint venture with ABN AMRO Bank N.V. (1997). This asset management joint venture evolved, in 2001, into the creation of Antonveneta ABN AMRO Bank S.p.A. (“AAA Bank”). AAA Bank is mainly targeted at the private banking sector. In January 2002 Banca Antonveneta and ABN AMRO transferred to AAA Bank

their stakes in AAA SGR. AAA Bank is jointly owned by Banca Antonveneta (55 per cent.) and ABN AMRO Bank N.V. (45 per cent.); and

- Antoniana Veneta Popolare Assicurazioni S.p.A. (“Antonveneta Assicurazioni”), an insurance company specialising in accident insurance policies, jointly owned with Lloyd Adriatico S.p.A. (2000).

## **BUSINESS OF THE BANCA ANTONVENETA GROUP**

### **Overview**

The BAG is a leading banking group in north-east Italy, with substantial operations in most Italian regions. The BAG has traditionally operated in the Veneto region and has its headquarters in Padua. As a result of the banking acquisitions mentioned above Banca Antonveneta rapidly expanded its presence to other Italian regions including Lombardy, Piedmont, Emilia Romagna, Lazio, Sicily, Calabria, Puglia and Campania.

As of 31<sup>st</sup> December, 2002, the BAG operates through a network of 1,055 branches (including foreign branches) compared to 320 branches in 1996.

Over the past few years, Banca Antonveneta has developed a strong presence in many business sectors in the Italian financial market. To complement its traditional commercial banking activities, in 1997 Banca Antonveneta acquired Interbanca, a bank specialising in medium term financing to medium-sized businesses but which has progressively expanded its merchant banking activities. To expand the financial products and services offered by the BAG to its clientele through various fee-generating activities, Banca Antonveneta also established, in conjunction with ABN AMRO Bank N.V. and Lloyd Adriatico S.p.A., companies specialising in asset management and bancassurance activities.

The BAG's clientele comprises individuals, families, small- to medium-sized businesses, companies and public entities.

### **Activities**

#### ***Commercial Banking***

Within the BAG, the commercial banking activity is carried out by Banca Antonveneta, Credito Industriale Sammarinese and Interbanca (the latter limited to the activity of issuing bonds and medium- to long-term financing and subsidised credit).

With respect to the commercial and retail banking activities, the BAG has adopted a repositioning strategy, with the aim of increasing its own market share and increasing the amount of its products in its customers' portfolios. This strategy is mainly being pursued through leveraging on products, such as mortgage loans, consumer credit and personal loans and payment systems, which have significant margins of contribution and high rates of growth.

The BAG offers a wide range of traditional lending products to private individuals and families, businesses and public bodies.

As regards private individuals and families, the lending activity is carried out by Banca Antonveneta in the technical forms of mortgage loans, personal loans and consumer credit (in which Banca Antonveneta is present with its own brand Compracomodo (easy-buy)).

As regards businesses, the lending activity of the BAG is carried out in the technical forms of overdrafts, import/export financing, advances, portfolio discounts. Through Interbanca, the BAG is also active in the sector of medium- to long-term financing to medium-sized companies and subsidised credit, including the granting of loans pursuant to the terms of the Law 1329/65 (Sabatini Law) for the purchase of machine tools or production machinery.

Direct deposits collection from customers includes current accounts, saving deposit accounts, issuance of certificates of deposit and bonds.

#### ***Retail Banking***

Banca Antonveneta provides traditional retail banking products and services. In particular, it promotes the sale of various current-account based packages tailored to suit specific customer segments.

#### ***Payment Services***

Payment services of the BAG include, in addition to traditional activities such as payment orders and transfer of funds in Italy and abroad, issuance and negotiation of documentary credits, collection and/or negotiation of bills, cheques and other instruments of payment, the activities of issuing and acquiring credit and debit cards, the installation and activation of POS terminals and the supply of specialised payment services for businesses operating in the e-commerce sector.

### ***Credit and Debit Cards***

The licence of “Principal Member” of Visa and MasterCard allows Banca Antonveneta to issue a variety of credit cards quickly. Such flexibility has made it possible to develop a broad range of credit cards, including:

- Business Card: this is a credit card aimed at the business segment;
- Gold and Platinum cards: credit cards intended for clients with high expenditure requirements;
- Affinity and co-branded cards: credit cards issued upon agreements with firms or associations.

Banca Antonveneta issues debit cards operating on the national “Bancomat” and “Pagobancomat” circuits, and on the international “Cirrus/Maestro” circuits.

As at 31<sup>st</sup> December, 2002, the numbers of Banca Antonveneta’s credit and debit cards in circulation were about 244,000 and 501,000 respectively.

### ***Point of Sale terminals***

As at 31<sup>st</sup> December, 2002, the BAG operated about 66,000 Point of Sale terminals (POS) located in shops, restaurants and other commercial ventures where debit and credit cards can be used.

The BAG’s POS payment services are operated through the network of Consorzio Triveneto, a consortium company that provides hardware, software and support services for payment systems to a number of participating banks.

Banca Antonveneta is committed to a project of migration from the present magnetic strip credit cards towards microprocessor cards, carrying out testing activities in the double role of issuer and acquirer. It was the first in Italy and among the first in Europe, to obtain, in October 2000, from Visa International the certification of EMV (Europay MasterCard Visa) acquirer, which will allow the use of microprocessor cards complying with EMV standards on the Banca Antonveneta’s POS and will allow more services to be made available and offer better security standards. This will open the way to important developments in the world-wide payment service networks through POS, ATM, Internet and GSM mobile phone systems.

The distribution of the new credit cards to customers started on 1<sup>st</sup> September, 2002. The alignment of the banking system to the microprocessor cards is planned to be completed by 2005.

### ***E-Commerce***

Banca Antonveneta has been active in the e-commerce sector since 1998, offering businesses operating in this sector services for receiving payments on-line in consideration of goods and services sold on the Internet.

The major service for on-line payments offered is the SET (Secure Electronic Transaction) system, that is a standard data coding protocol, developed by Visa and MasterCard, which protects the safety of Internet transactions.

As at 31<sup>st</sup> December, 2002, about 1,350 businesses were linked to the Banca Antonveneta’s e-commerce services, including several of Italy’s leading corporate groups.

## **Treasury and Securities Dealing and Brokerage Activities**

### ***Treasury Activities***

The Banca Antonveneta’s treasury activities are carried out from its dealing rooms in Rome and Padua. The chief objective of treasury management is the economic and financial optimisation of the BAG’s monetary flows, both in euro and foreign currencies. This objective is also achieved by means of (i) a continuous presence on the interbank deposits market (“MID”), (ii) money market transactions and (iii) participation in open market transactions proposed by the Central European Bank.

Banca Antonveneta is active also in derivatives, mainly for hedging purposes. The Board of Directors has established a series of limits to regulate risk positions.

### ***Securities Dealing and Brokerage Activities***

Securities dealing and brokerage activities are carried out by the securities departments at the BAG’s main headquarters in Padua.

Securities dealing and brokerage activities conducted on behalf of customers include:

- the execution of customers' purchase and sale orders on securities;
- the execution of customers' orders on foreign currency transactions and exchange rate and interest rate hedging;
- the placement of new securities issues by government and other issuers, including the placement of securities newly issued by the BAG, both on the domestic and the European markets.

### **Asset Management and Private Banking**

The BAG's asset management activities are carried out by AAA Bank and AAA SGR.

The alliance with ABN AMRO Bank N.V. gives the activity carried out by AAA Bank and AAA SGR a strong international connotation both in terms of know-how and allocation of investments. AAA SGR uses a method of investment aligned to that of the ABN AMRO Group, while maintaining complete managerial autonomy.

Total assets managed by AAA Bank and AAA SGR amounted to €2,884 million as of 31<sup>st</sup> December, 2002.

In 2000, AAA SGR established AAA Investment Funds Ltd. in Ireland. As of 31<sup>st</sup> December, 2002, assets managed by AAA Investment Funds Ltd. amounted to about €1,048 million.

Off-balance sheet deposits of the BAG as at 31<sup>st</sup> December, 2002 also include €1,253 million managed by Fineco AM (formerly Romagest Sgr S.p.A.), the fund management company of the Capitalia Group, in which Banca Antonveneta inherited a 20 per cent. stake when it acquired Bna. Since 1st March, 2003 these deposits have been transferred to AAA SGR.

Banca Antonveneta's network also distributes mutual funds of Arca, a fund-management company jointly held by "popular banks". As at 31<sup>st</sup> December, 2002, Arca Sgr S.p.A.'s managed funds amounted to €1,855 million.

AAA Bank offers personalised advisory services to high net worth individuals through a dedicated network.

### **Bancassurance**

In 1996, Banca Antonveneta established Antoniana Veneta Popolare Vita S.p.A, an insurance company specialising in life insurance policies, which is jointly owned with Lloyd Adriatico S.p.A. In addition to traditional life insurance policies, Antoniana Veneta Popolare Vita S.p.A. has developed innovative products, such as "Unit Linked" and "Index Linked" policies, with yields related to the performance of mutual funds or of baskets of securities.

Early in 2000, Banca Antonveneta, together with Lloyd Adriatico S.p.A., established Antoniana Veneta Popolare Assicurazioni S.p.A. to complete its product range with regard to accident insurance products.

For the year ended 31<sup>st</sup> December, 2002, the total amount of life insurance premiums collected by Banca Antonveneta was €1,839 million.

### **Merchant Banking**

Through Interbanca, the BAG offers merchant banking services to its corporate clientele. Such services include acquisitions of holdings (private equity) and advisory work on M&A and structured finance transactions and for companies listing on the Stock Exchange.

In the Italian market, medium-sized businesses represent a market segment which the international investment banks have not been able to penetrate. In this market segment, Interbanca is able to take advantage of both the internal synergies connected with the cross-selling of other products (like medium to long-term credit) and the synergies deriving from the other services provided by the BAG, particularly by Banca Antonveneta itself.

## MANAGEMENT AND EMPLOYEES

### Board of Directors

Pursuant to Banca Antonveneta's by-laws, the Board of Directors is composed of 11 to 15 members, elected by a Shareholders' General Meeting. The Board of Directors is currently composed of 15 members as follows:

Antonio Ceola*	Chairman
Francesco Spinelli*	Deputy Chairman
Piero Luigi Montani*	Managing Director
Nicolò Azzollini	Director
Gilberto Benetton	Director
Romeo Chiarotto	Director
Enrico Tomaso Cucchiani*	Director
Jan Maarten de Jong	Director
Giancarlo Folco	Director
Leopoldo Mazzarolli	Director
Gianni Mion*	Director
Gilberto Muraro	Director
Maurice Oostendorp	Director
Francesco Paolo Pagnan*	Director
Antonio Scala*	Director

\* Member of the Executive Committee

### Board of Statutory Auditors

Current members of the Board of Statutory Auditors are the following:

Gianni Cagnoni	Chairman
Alberto Dalla Libera	Statutory Auditor
Enzo Nalli	Statutory Auditor
Leopoldo Rossi Chauvenet	Alternate Auditor
Antonio Franchi	Alternate Auditor

### Employees

The following table sets out the average number of employees of the BAG, by category, with respect to the years 2000, 2001 and 2002.

	2002	2001	2000
Executives	226	167	114
Officers	1,593	1,783	1,762
Other Employees	9,088	9,068	9,203
<b>Total</b>	<b>10,907</b>	<b>11,018</b>	<b>11,079</b>



## ITALIAN TAXATION

*Pursuant to the terms and conditions of the Notes, Notes may be issued either by the Bank or an Issuing Subsidiary. The following will describe the taxation of Notes issued by the Bank or an Issuing Subsidiary which is an Italian bank or an Italian company the shares of which are listed on an Italian stock exchange.*

*The statements herein regarding taxation summarise the principal Italian tax consequences of the purchase, the ownership and the disposition of the Notes. It applies to a holder of Notes only if such holder purchases its Notes under the Programme. It is a general summary that does not apply to certain categories of investors and does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes. It does not discuss every aspect of Italian taxation that may be relevant to a holder of Notes if such holder is subject to special circumstances or if such holder is subject to special treatment under applicable law. This summary also assumes that the Issuer (or the relevant Issuing Subsidiary as the case may be) is organised and that the Issuer's (or the relevant Issuing Subsidiary's, as the case may be) business will be conducted in the manner outlined in this Offering Circular. Changes in the Issuer's (or the relevant Issuing Subsidiary's, as the case may be) organisational structure or the manner in which the Issuer (or the relevant Issuing Subsidiary, as the case may be) conducts its business may invalidate this summary.*

*The statements herein regarding taxation are based on the laws in force in the Republic of Italy as of the date of this Offering Circular and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The Issuer will not update this summary to reflect changes in laws and if such a change occurs the information in this summary could become invalid.*

*Law No. 80 of 7<sup>th</sup> April, 2003 for the reform of the Italian tax system has empowered the Italian Government to introduce – within a two-year period – a general reform of the tax regime of financial income, that may impact on the current tax regime of the Notes, as summarized below. The planned reform might apply starting from fiscal year 2004 and in any case is at present expected to come into force by 2006.*

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

### **Tax treatment of the Notes**

Legislative Decree No. 239 of 1<sup>st</sup> April, 1996 (the “**Decree 239**”), as subsequently amended, regulates the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price, hereinafter collectively referred to as “**Interest**”) from notes having a maturity of eighteen months or more and issued, *inter alia*, by Italian banks and companies listed in Italian regulated markets, falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*).

For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value.

### **Italian Resident Noteholders**

Where an Italian resident Noteholder is (i) an individual not engaged in a business activity to which the Notes are effectively connected, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, Interest payments relating to the Notes are subject to a tax, referred to as *imposta sostitutiva*, levied at the rate of 12.5 per cent. (either when the Interest is paid by the Issuer, or when payment thereof is obtained by the Noteholder on a sale of the relevant Notes). The *imposta sostitutiva* may not be recovered as a deduction from the income tax due.

In case the Notes are held by an individual engaged in a business activity and are effectively connected with same business activity, the Interest will be subject to the *imposta sostitutiva* and will be included in the relevant income tax return. As a consequence, the Interest will be subject to the ordinary income tax and the *imposta sostitutiva* may be recovered as a deduction from the income tax due.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* (“SIMs”), fiduciary companies, stock exchange agents and other entities identified by the relevant Decrees of the Ministry of Finance (the “**Intermediaries**”).

The Intermediaries must (i) be: (a) resident in Italy; or (b) a permanent establishment in Italy of Intermediaries resident outside Italy; or (c) organizations and companies non-resident in Italy, acting through a system of centralized administration of securities and directly connected with the Department of Revenue of the Ministry of

Finance (which include Euroclear and Clearstream, Luxembourg) having appointed an Italian representative for the purposes of Decree 239; and (ii) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes.

In order to apply *imposta sostitutiva*, an Intermediary opens an account (the “**single account**”) to which it credits *imposta sostitutiva* in proportion to Interest accrued. In the event that more than one Intermediary participates in an investment transaction, *imposta sostitutiva* in respect of the transaction is credited to or debited from the single account of the Intermediary having the deposit or investment management relationship with the investor.

Where the Notes are not deposited with an Intermediary, *imposta sostitutiva* is applicable and withheld by any withholding agent paying interest to a Noteholder.

Where an Italian resident Noteholder is a corporation or a similar commercial entity (including a permanent establishment in Italy of a foreign entity) and the Notes are deposited with an Intermediary, payments of Interest will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder’s annual income tax return and are therefore subject to general Italian corporate taxation.

The *imposta sostitutiva* regime described herein does not apply in cases where the Notes are held either (i) in a discretionary investment portfolio managed by an authorized intermediary pursuant to the so-called discretionary investment portfolio regime (“*Risparmio Gestito*” regime as described below under “Capital Gains”) or (ii) in an Italian investment fund (which includes *Fondo Comune d’Investimento*, or *SICAV*) or (iii) in a Luxembourg investment fund regulated by article 11-bis of Law Decree of 30<sup>th</sup> September, 1983, No. 512 (collectively, the “**Funds**”). In such cases, Interest will not be subject to *imposta sostitutiva* of 12.5 per cent. but will contribute to determine the annual net accrued result of the portfolio or of the Funds, as the case may be, which is subject to a substitutive tax of 12.5 per cent.

Pension funds are subject to an 11 per cent. substitutive tax on the increase in value of managed assets accrued at the end of the fiscal year. Interest will be included in the calculation of the increase in the value of managed assets.

Real estate funds set up starting from 26<sup>th</sup> September, 2001 are subject to a substitutive tax at the rate of 1 per cent. levied on the accounting net value of the real estate fund. The interest, as well as the value of the Notes, will contribute to determine such net value.

### **Non-Italian Noteholders**

An exemption from *imposta sostitutiva* has been introduced with respect to certain beneficial owners of the Notes resident outside of Italy. In particular, pursuant to the Decree 239, the aforesaid exemption will apply to any beneficial owner of an Interest payment relating to the Notes who: (i) is resident, for tax purposes, in a country which allows for a satisfactory exchange of information and which is not a Tax Haven, as described below; or (ii) is an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (iii) is the Central Bank or an entity also authorised to manage the official reserves of a state; or (iv) is an institutional investor which is established in a country which allows for a satisfactory exchange of information and which is not a Tax Haven, even if it does not possess the status of taxpayer in its own country of establishment.

For the above purpose, the countries considered to be “**Tax Havens**” are those listed in Ministerial Decree of 23<sup>rd</sup> January, 2002, as amended from time to time.

The exemption procedure for Noteholders who are non-resident in Italy and are resident in qualifying countries identifies two categories of intermediaries:

- (a) an Italian or foreign bank or financial institution (there is no requirement for the bank or financial institution to be EU resident) (the “**First Level Bank**”), acting as intermediary in the deposit of the Notes held, directly or indirectly, by the Noteholder with a Second Level Bank (as defined below); and
- (b) an Italian resident bank or SIM, or a permanent establishment in Italy of a non-resident bank or SIM, acting as depositary or sub-depositary of the Notes appointed to maintain direct relationships, via telematic link, with the Italian Tax Authorities (the “**Second Level Bank**”). Organizations and companies non-resident in Italy, acting through a system of centralized administration of securities and directly connected with the Department of Revenue of the Ministry of Finance (which include Euroclear and Clearstream, Luxembourg)

are treated as Second Level Banks, provided that they appoint an Italian representative (an Italian resident bank or SIM, or permanent establishment in Italy of a non-resident bank or SIM) for the purposes of the application of Decree 239.

In the event that a non-Italian resident Noteholder deposits the Notes directly with a Second Level Bank, the latter shall be treated both as a First Level Bank and a Second Level Bank.

The exemption of Noteholders who are non-resident in Italy from the *imposta sostitutiva* is conditional upon:

- (i) the deposit of the Notes, either directly or indirectly, with an institution which qualifies as a Second Level Bank; and
- (ii) the submission to the First Level Bank or the Second Level Bank of a statement of the relevant Noteholder, to be provided only once, in which it declares that it is eligible to benefit from the exemption from *imposta sostitutiva*. Such statement must comply with the requirements set forth by a Ministerial Decree dated 12<sup>th</sup> December, 2001.

The First Level Bank is obliged to send the above statement to the Second Level Bank within 15 days from receipt, together with any necessary affidavit in the event that other intermediaries intervene between the Noteholder and the First Level Bank.

The Second Level Bank files the data relating to the non-resident Noteholder together with the data relating to the First Level Bank and of the transactions carried out, via telematic link, to the Italian Tax Authorities within the first transmission period after receipt of such data. Transmission periods are two-week periods per month during which the Second Level Bank transmits to the Italian Tax Authorities data relating to bond transactions carried out during the preceding month. The Italian Tax Authorities monitor and control such data and any discrepancies thereof.

Failure to comply with the above exemption procedure will result in the application of *imposta sostitutiva* on proceeds payable to non-resident Noteholders (increased by 1.5 per cent. for each month or fraction of a month of delay after the month in which payment of *imposta sostitutiva* should have been made) pursuant to the ordinary rules applicable for the payment of *imposta sostitutiva* by Italian resident investors.

For Noteholders who are non-resident in Italy, the Second Level Bank acts as the Intermediary responsible for assessing the applicability of *imposta sostitutiva* and, consequently, for levying and paying it to the Italian Tax Authorities in accordance with the procedure described above.

### **Early Redemption**

Without prejudice to the above-described regime, if the Notes are subject to an early redemption within 18 months from the issue date, a tax is payable by the Issuer at the rate of 20 per cent. in respect of Interest accrued thereon up to the date of early redemption, pursuant to Article 26, 1<sup>st</sup> paragraph, of Presidential Decree No. 600 of 29<sup>th</sup> September, 1973, as amended.

### **Notes with a duration of less than 18 months**

Pursuant to Article 26, 1<sup>st</sup> paragraph, of Presidential Decree No. 600 of 29<sup>th</sup> September, 1973, as amended, Interest payments relating to Notes issued with a duration of less than 18 months are subject to a withholding tax, levied at the rate of 27 per cent.

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

### **Atypical securities**

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 27 per cent.

Where the Noteholder is (i) a non-Italian resident, (ii) an individual not holding the Notes for the purpose of carrying out a business activity, (iii) a non-commercial partnership, (iv) a non-commercial private or public

institution, (v) a Fund, (vi) a real estate fund, (vii) a pension fund, (viii) an investor exempt from Italian corporate income taxation, such withholding tax is a final withholding tax.

Where the Noteholder is (i) an individual carrying out a business activity to which the Notes are effectively connected, (ii) an Italian corporation or a similar Italian commercial entity (including a permanent establishment in Italy of a foreign entity), such withholding tax is an advance withholding tax.

### **Interest Paid by the Guarantor**

In the case of Interest paid by the Guarantor, in principle, the same rules outlined above should apply. However, pursuant to a restrictive interpretation of Italian tax law, the Guarantor would be required to withhold from the payment of Interest at the following rates:

- (a) 12.5 per cent. (or the reduced rate provided for by the applicable double tax treaty, if any) in case of payments to foreign individuals or entities, other than those mentioned in paragraph (b), below; or
- (b) 27 per cent. (or the reduced rate provided by the applicable double tax treaty, if any) in case of payments to foreign individuals or entities domiciled in a Tax Haven; or
- (c) 12.5 per cent. in case of payment to resident individuals not carrying on a business activity to which the Notes are effectively connected, a non-commercial partnership or a non-commercial private or public institution.

### **Capital Gains**

Pursuant to Legislative Decree No. 461 of 21<sup>st</sup> November, 1997, as amended, a 12.5 per cent. capital gains tax (the “CGT”) is applicable to capital gains realized on any sale or transfer of the Notes for consideration or on redemption thereof.

For the purposes of determining the taxable capital gain, both from the purchase price and the sale price it must be deducted any Interest on the Notes accrued and unpaid up to the time of, respectively, the purchase and the sale of the Notes.

The CGT is payable on capital gains realized by resident Noteholders other than through the exercise of business activities. Please note that non-resident Noteholders are not subject to the CGT to the extent the Notes are listed on a regulated market (e.g., Luxembourg Stock Exchange).

Should the Notes qualify as atypical securities, based on a very restrictive interpretation, the aforesaid capital gains would be subject to the 27 per cent. final withholding tax mentioned under paragraph “Atypical Securities”, above.

The CGT will be chargeable, on a cumulative basis, on all capital gains net of any incurred capital loss realized by Noteholders pursuant to all investment transactions carried out during any given fiscal year. Capital gains must be indicated in the annual income tax return to be filed with the Italian Tax Authorities. Losses exceeding gains can be carried forward for up to four fiscal years.

Alternatively, Noteholders may elect to pay the CGT separately on capital gains realized on each sale, transfer or redemption of the Notes (“*Risparmio Amministrato*” regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with banks, SIMs or other authorized intermediaries and (ii) an express election for the *Risparmio Amministrato* regime being made in writing by the relevant Noteholder. The *Risparmio Amministrato* lasts for the entire fiscal year and unless revoked prior to the end of such year will be deemed valid also for the subsequent one. The intermediary is responsible for accounting for the CGT in respect of capital gains realized on each sale, transfer or redemption of the Notes, as well as in respect of capital gains realized at the revocation of its mandate. The intermediary is required to pay the relevant amount to the Italian Tax Authorities by the 16<sup>th</sup> day of the second month following the month in which the CGT is applied, by deducting a corresponding amount from the proceeds to be credited to the Noteholder. Where a particular sale, transfer or redemption of the Notes results in a net loss, the intermediary is entitled to deduct such loss from gains subsequently realized on assets held by the Noteholder with the same intermediary, up to the fourth following fiscal year. The Noteholder is not required to declare the gains in its annual income tax return.

Special rules apply if the Notes are part of a portfolio managed by an Italian asset management company (*Risparmio Gestito*) or of the Funds. In such cases, capital gains will not be subject to the CGT of 12.5 per cent., but will contribute to determine the annual accrued net profit of the portfolio or of the Funds.

The annual accrued net profit, even if not realized, of the portfolio is subject to a 12.5 per cent. substitutive tax required to be applied on behalf of the taxpayer by the managing professional intermediary. Any losses of the investment portfolio or of the Funds accrued at year end may be carried forward against net profits accrued in each of the following fiscal years (in case of the investment portfolio, only up to the fourth following fiscal year). Under such regime the Noteholder is not required to declare the gains in its annual income tax return.

#### **Corporate investors (including banks and insurance companies)**

Gains realized by Italian resident corporate entities (including a permanent establishment in Italy of a foreign entity) on the disposal of the Notes will form part of the aggregate income subject to corporation tax (IRPEG) at a rate in principle equal to 34 per cent. Banks and insurance companies may be subject to an additional local tax (IRAP), generally applying at the rate of 4.25 per cent. The gains are calculated as the difference between the sale price and the relevant tax base of the Notes. Upon fulfilment of certain conditions, the gains may be taxed in equal instalments over up to five fiscal years both for IRPEG and for IRAP purposes.

#### **Pension Funds**

Capital gains realized by pension funds on the disposal of the Notes will contribute to the increase in value of the managed assets accrued at the end of the fiscal year which is subject to an 11 per cent. substitutive tax (see the paragraph “Italian Resident Noteholders”).

#### **Real Estate Funds**

Capital gains realised by real estate funds set up starting from 26<sup>th</sup> September, 2001 on the disposal of the Notes will contribute to determine the accounting net value of the funds, which is subject to a 1 per cent. substitutive tax (see the paragraph “Italian Resident Noteholders”).

#### **Transfer Taxes**

##### **General**

Pursuant to Royal Decree No. 3278 of 30<sup>th</sup> December, 1923, Legislative Decree No.435 of 21<sup>st</sup> November, 1997 and Ministerial Circular No. 106/E of 21<sup>st</sup> December, 2001 the transfer of the Notes (either (a) by or between Italian residents or (b) by or between non-Italian residents) may be subject to the three levels of taxation described below (*tassa sui contratti di borsa*):

- (a) contracts entered into directly between private parties or with the participation of entities other than banks and persons who are authorised to perform investment services pursuant to Legislative Decree No. 415 of 23<sup>rd</sup> July, 1996, as superseded by Legislative Decree No. 58 of 24<sup>th</sup> February, 1998, or stockbrokers (the “**Authorised Intermediaries**”): €0.0083 for every €51.65, or part of €51.65, of the price of the Notes.
- (b) contracts between private parties, with the participation of Authorised Intermediaries, or between private parties and Authorised Intermediaries: €0.00465 for every €51.65, or part of €51.65, of the price of the Notes.
- (c) contracts between Authorised Intermediaries: €0.00465 for every €51.65, or part of €51.65, of the price of the Notes.

Further, in the cases under (b) and (c) above, the amount of transfer tax payable cannot exceed €929.62 for each transaction or repurchase agreement.

##### **Exemptions**

The transfer tax is not levied in the following cases:

- (i) contracts entered into on regulated markets (e.g. Luxembourg Stock Exchange);
- (ii) contracts relating to securities which are admitted to listing in the regulated markets and finalized outside such markets and entered into:
  - between Authorised Intermediaries;
  - between Authorised Intermediaries and non-residents;
  - between Authorised Intermediaries, also non-resident, and undertakings for collective investments in transferable securities;

- (iii) contracts relating to public offers for the admission to listing in regulated markets or relating to securities already admitted to listing on such markets;
- (iv) contracts having a consideration not higher than €206.58;
- (v) securities lending transactions and any contracts having the same economic purpose.

#### **Inheritance and Gift Tax**

Inheritance and gift tax has been repealed. Transfers by reason of gift to persons other than the spouse, siblings or relatives within the 4th degree will be subject to transfer taxes ordinarily applicable for transfers for consideration, provided that the value of the gift received by each person exceeds €180,759.91 and limited to the excess thereof.

#### **Tax Monitoring**

Pursuant to Law Decree No. 167 of 28<sup>th</sup> June, 1990, converted by Law No. 227 of 4<sup>th</sup> August, 1990, as amended, individuals resident in Italy who, at the end of the fiscal year, hold investments abroad or have financial activities abroad must, in certain circumstances, disclose the aforesaid and related transactions to the Italian Tax Authorities. This obligation does not exist in cases where the overall value of the foreign investments or financial activities at the end of the fiscal year, and the overall value of the transactions carried out during the relevant fiscal year, does not exceed €12,500.

#### **EU Directive on the Taxation of Savings Income**

The European Union has adopted proposals for a new directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that Member States will be required from 1 January 2005 to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person to or for the benefit of an individual in that other Member State, subject to the right of certain Member States to opt instead for a withholding system for a transitional period in relation to such payments.



## SUBSCRIPTION AND SALE

### Summary of Dealer Agreement

Subject to the terms and on the conditions contained in an Amended and Restated Dealer Agreement dated 22<sup>nd</sup> April, 2002, as supplemented and amended by a first supplemental dealer agreement dated 27<sup>th</sup> June, 2003 (each as further supplemented and/or amended from time to time) (the “Dealer Agreement”) between the Bank, the other Issuers, the Guarantor, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Bank and the other Issuers to the Permanent Dealers. However, the Bank has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the relevant Issuer through the Dealers, acting as agents of the relevant Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The relevant Issuer will pay each relevant Dealer a commission as agreed between the relevant Issuer, the Guarantor, if any, and the relevant Dealer in respect of Notes subscribed by it. Interbanca S.p.A. has agreed to reimburse the Arranger for certain of their expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Pricing Supplement.

Interbanca S.p.A. has agreed in the Dealer Agreement to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

### Selling Restrictions

#### United States

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 as amended (the “Securities Act”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver the Notes of any identifiable Tranche, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer, by the Fiscal Agent, or in the case of Notes issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an 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.

#### United Kingdom

Each Dealer has represented, warranted and agreed that:

- (i) in relation to Notes which have a maturity of one year or more, it has not offered or sold and, prior to the expiry of a period of six months from the issue date of such Notes, will not offer or sell any such Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995



- (ii) in relation to any Notes which are issued by an Issuing Subsidiary which is not authorised for the purposes of the FSMA and which have a maturity of less than one year, (a) 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 (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuing Subsidiary
- (iii) 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 or (in the case of an Issuer which is an authorised person for the purposes of the FSMA or the Guarantor) would not, if it was not an authorised person, apply to the Issuer or the Guarantor and
- (iv) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### **Republic of Italy**

The offering of the Notes has not been registered pursuant to the Italian securities legislation and, accordingly, each Dealer 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 at large, and that sales of the Notes in the Republic of Italy shall only be negotiated on an individual basis, and shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Accordingly, the Notes may not be offered, sold or delivered and neither the Offering Circular nor any other offering material relating to the Notes may be distributed or made available in Italy, except: (1) to “Professional Investors”, as defined in Article 31.2 of CONSOB Regulation No. 11522 of 2<sup>nd</sup> July, 1998 (as amended, restated or substituted from time to time) (“Regulation No. 11522”), pursuant to Article 30.2 and Article 100 of Legislative Decree No. 58 of 24<sup>th</sup> February, 1998 (“Decree No. 58”), or in any other circumstances where an express exemption from compliance with the solicitation restriction, provided by Decree No. 58 or CONSOB Regulation No. 11971 of 14<sup>th</sup> May, 1999 (as amended, restated or substituted from time to time) applies, provided, however, that any such offer, sale or delivery of Notes or distribution of copies of this Offering Circular 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 N. 385 of 1<sup>st</sup> September, 1993 (the “Banking Law”), Decree No. 58, Regulation No. 11522 and any other applicable laws and regulations; (b) in compliance with Article 129 of the Banking Law and the implementing instructions of the Bank of Italy, pursuant to which the issue, trading or placement of securities in Italy is subject to prior notification to the Bank of Italy, unless an exemption, depending, *inter alia*, on the amount of the issue and the characteristics of the securities, applies; and (c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy; or (2) to Italian residents who submit unsolicited offers to purchase the Notes.

### **Japan**

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the “Securities and Exchange Law”). Accordingly, each of the Dealers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Securities and Exchange Law and other relevant laws and regulations of Japan. As used in this paragraph, “resident of Japan” means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

### **General**

These selling restrictions may be modified by the agreement of the Issuers, the Guarantor (if applicable) and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Offering Circular, any other offering material or any Pricing Supplement and neither the relevant Issuer, the Guarantor (if applicable) nor any other Dealer shall have responsibility therefor.

## GENERAL INFORMATION

- (1) In connection with the application to list the Notes to be issued under the Programme on the Luxembourg Stock Exchange a legal notice relating to the issue of the Notes and copies of the By-Laws (*Statuto*) of Interbanca S.p.A. will be deposited with the “*Registre de Commerce et des Sociétés à Luxembourg*” (“The Luxembourg Trades and Companies’ Register”) in Luxembourg where such documents may be examined and copies obtained.
- (2) Interbanca S.p.A. has obtained all necessary consents, approvals and authorisations in the Republic of Italy in connection with the issue and performance of the Notes and its obligations under the Dealer Agreement and the Agency Agreement. The establishment of the Programme and the issue of the Notes under it was authorised by a resolution of the Board of Directors of Interbanca S.p.A. passed on 8<sup>th</sup> April, 1999. An increase in the maximum aggregate nominal amount of the Programme from Euro 750,000,000 to Euro 1,500,000,000 was duly authorised by a resolution of the Board of Directors of Interbanca S.p.A. dated 10<sup>th</sup> February, 2000. A further increase in the maximum aggregate nominal amount of the Programme up to Euro 3,000,000,000 was duly authorised by a resolution of the Board of Directors of Interbanca S.p.A. dated 14<sup>th</sup> December, 2000, while a resolution of the Board of Directors of Interbanca S.p.A. dated 7<sup>th</sup> February, 2002 has duly approved the 2002 annual update of the Programme. The 2003 updating of the Programme, like any conventions for investments and funding activities, will not require any *ad hoc* resolution since it falls within the competences that the Bank’s Board of Directors have assigned, on 20<sup>th</sup> March, 2003, to the Bank’s Senior Managers and Officers, with joint signatures of any Senior Manager and any Officer, as described in the latest list of authorised signatures issued by the Bank in May 2003. In compliance with the standard procedures of the Bank – approved by a resolution of its Board of Directors passed on 21<sup>st</sup> March, 2002 – any new issue of bonds, including consequently any issue of Notes under the Programme, has to be approved by the corporate body that is competent in light of the aggregate nominal amount of the proposed issue, namely by (a) the person responsible for Finance or (b) the person responsible for the Merchant Banking Division or (c) the General Manager or the Managing Director or (d) the Executive Committee, for amounts up to € 50 million, 100 million, 150 million and 250 million, respectively. Any issue exceeding € 250 million shall be authorised by a resolution of the Board of Directors of the Bank.
- (3) Except as disclosed in this Offering Circular, there has been no significant adverse change in the financial or trading position of Interbanca S.p.A. or of the Group since 31<sup>st</sup> December, 2002 and no material adverse change in the prospects of Interbanca S.p.A. or of the Group since 31<sup>st</sup> December, 2002.
- (4) Neither Interbanca S.p.A. nor any of its subsidiaries is involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of the issue of the Notes nor so far as the Issuer is aware is any such litigation or arbitration pending or threatened.
- (5) Each Bearer Note, Receipt, Coupon and Talon will bear the following legend: “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”.
- (6) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Common Code and the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Pricing Supplement.
- (7) Copies in English of the consolidated and non-consolidated audited financial statements of the Bank for the financial year ended 31<sup>st</sup> December, 2002, and non-consolidated audited financial statements of the Bank for the financial years ended 31<sup>st</sup> December, 2000 and 31<sup>st</sup> December, 2001 may be immediately obtained and copies of the Agency Agreement will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, for so long as any of the Notes is outstanding. Interbanca S.p.A. only publishes interim unaudited consolidated and non-consolidated financial statements in the English language for the six-month period ended 30<sup>th</sup> June of each year.
- (8) The auditors of the Issuer are KPMG S.p.A., independent accountants, who have audited the Issuer’s accounts without qualification in accordance with Italian GAAP for each of the four financial years ended 31<sup>st</sup> December, 1999, 2000, 2001 and 2002.
- (9) For listing purposes the Luxembourg Stock Exchange has allocated the Programme the following number: 12171.

**FORM OF SCHULDSCHEIN**

Dated [●]

**INTERBANCA S.p.A.**

as Borrower

and

[●]

as Lender

**[Currency] [Amount] Schuldschein**

## SCHULDSCHEIN

**(1) INTERBANCA S.p.A.**

a bank organized and existing under the laws of the Republic of Italy, enrolled in the banks register and belonging to the “Gruppo Bancario Banca Antoniana Popolare Veneta” enrolled in the banking groups register (the “Borrower”)

hereby acknowledges to have received from

**(2) [NAME OF LENDER]**

(the “Lender”, which term shall also include any successor to the rights and claims under this Schuldschein)

a loan (the “Loan”) in the amount of

[currency] [amount in figures]

(in words [●] [currency])

(the “Principal Amount”)

subject to the following Terms and Conditions of this Schuldschein (the “Schuldschein”):

### **1 Definitions**

In this Schuldschein:

“Business Day” means a day [on which the Trans-European Automated Real-Time Gross settlement Express Transfer system (TARGET-System) settles payments / (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets in [Main Financial Centre of the Issue Currency] settles payments in [currency of the Loan]];

[“Calculation Agent” means [●];]\* This is only relevant if a floating rate

“Disbursement Date” means [●];

“Repayment Date” means [●].

### **2 Disbursement**

The Loan has been disbursed by the Lender on the Disbursement Date by crediting the Principal Amount to the Borrower on the Disbursement Date to an account which has been notified by the Borrower to the Lender.

### **3 Status**

- 3.1 The Loan constitutes a direct, unsecured and unsubordinated obligation of the Borrower. The payment obligations of the Borrower under the Loan shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Borrower present and future.

### **4 Interest**

EITHER

- 4.1 The Loan shall bear interest at a rate of [interest rate] per cent. per annum as from [the Disbursement Date / [other date]] (the “Interest Commencement Date”). Interest is payable [annually / semi-annually / quarterly] in arrear on [Interest Payment Date(s)] of each year (each an “Interest Payment Date” and the period from the Interest Commencement Date (inclusive) up to the first Interest Payment Date (exclusive) and thereafter as from any Interest Payment Date (inclusive) up to the next following Interest Payment Date (exclusive) being an “Interest Period”). The first interest payment shall be due on [first Interest Payment Date].

- 4.2 The Loan will cease to bear interest from the end of the day preceding the due date for repayment, even if payment is made later than on the due date for repayment determined by the calendar in accordance with § 193 German Civil Code.

Should the Borrower for any reason whatsoever fail to pay, when due, the Loan, then interest on the outstanding nominal amount of the Loan will continue to accrue until the payment of such nominal amount has been effected.

- 4.3 [Where interest is to be calculated in respect of a period which is equal to or shorter <sup>(1)</sup> than an Interest Period, the interest will be calculated on the basis of the number of days in the relevant period, from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the next scheduled Interest Payment Date, divided by [the product of (x)]<sup>(2)</sup> the number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last) [and (y) the number of Interest Periods normally ending in any year] <sup>(2)</sup>]

OR

#### 4.1 Interest Accrual

- 4.1.1 The Loan bears interest from [the Disbursement Date / [other date]] (the “Interest Commencement Date”) (inclusive) up to the first Interest Payment Date (exclusive) and thereafter as from any Interest Payment Date (inclusive) up to the next following Interest Payment Date (exclusive) (each such period being an “Interest Period”) at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date.

[Either:

- 4.1.2 Subject to Clause 4.1.3 and to Clause 4.1.4, “Interest Payment Date” means [Interest Payment Dates].]

or:

- 4.1.2 Subject to Clause 4.1.3 and to Clause 4.1.4, “Interest Payment Date” means each date which falls [3 months / 6 months / [other interest period]] after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Disbursement Date of the Loan.]

- 4.1.3 If any such date would otherwise fall on a day that is not a Business Day, then  
[[if Floating Rate Business Day Convention] such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment.]

[[if Following Business Day Convention] such date shall be postponed to the next day that is a Business Day.]

[[if Modified Following Business Day Convention] such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day.]

[[if Preceding Business Day Convention] such date shall be brought forward to the immediately preceding Business Day.]

- 4.1.4 The Loan will cease to bear interest from the end of the day preceding the due date for repayment, even if payment is made later than on the due date for repayment determined by the calendar in accordance with § 193 German Civil Code.

Should the Borrower for any reason whatsoever fail to pay, when due, the Loan, then interest on the outstanding nominal amount of the Loan will continue to accrue until the payment of such nominal amount has been effected. The rate of interest shall be determined in accordance with Clause 4.2.

#### 4.2 Rate of Interest

- 4.2.1 The rate of interest in respect of the Loan for each Interest Period (the “Rate of Interest”) shall be expressed as a rate per annum. This rate is equal to the Reference Interest Rate determined in accordance with Clause 4.2.2 [plus / less] [margin], and shall be determined for each Interest Period [two / [other number]] Business Days prior to the commencement of each Interest Period (the “Interest Determination Date”) by the Calculation Agent.

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(1) For example, on acceleration, due to an event of default or if there is a call or a put exercisable otherwise than on a normal date for payment of interest.

(2) The wording in brackets can be deleted where the Interest Period is one year.

4.2.2 “Reference Interest Rate” means the interest rate expressed as a rate per annum published on screen page [relevant screen page] (or any successor page of the aforementioned agency or a screen page of another agency) (the “Screen Page”) on the Interest Determination Date at or about [11.00 a.m. / [other time]] ([Brussels / London] time) for deposits in the [currency of the Loan] for the relevant Interest Period.

- (i) If the Calculation Agent cannot determine the Reference Interest Rate as aforementioned, because the Screen Page is not published, or if the Calculation Agent cannot make such determination for any other reason, then the Reference Interest Rate for the respective Interest Period shall be the arithmetic mean [(rounded, if necessary, to the nearest one thousandth of a percentage point, 0.0005 being rounded upwards) / (rounded, if necessary, to the nearest one hundred thousandth of a percentage point, 0.000005 being rounded upwards)] determined by the Calculation Agent of the interest rates which five reference banks selected by the Calculation Agent in conjunction with the Borrower (the “Reference Banks”), quote to prime banks on the relevant Interest Determination Date for deposits in [currency of the Loan] for such Interest Period.
- (ii) Should two or more of the Reference Banks provide the relevant quotation, the arithmetic mean shall be calculated as described above on the basis of the quotations supplied.
- [(iii) If less than two Reference Banks provide a quotation in accordance with Sub-Clauses (i) or (ii), then the Reference Interest Rate for the respective Interest Period shall be determined by the Calculation Agent in its reasonable discretion.]
- (iv) The Calculation Agent shall notify the Borrower without undue delay, but in no event later than the first day of the relevant Interest Period, of the Rate of Interest determined by it with respect to the relevant Interest Period, the amount payable in respect of the Loan as well as the respective Interest Payment Date.

4.2.3 [Interest on the Loan shall be calculated by applying the rate of interest applicable for the respective Interest Period to the Principal Amount of the Loan multiplying the resulting amount by the actual number of days in the respective Interest Period divided by [360] [365] days (*Note: If the currency is sterling, this provision may be modified appropriately*)].

## **5 Repayment**

- 5.1 The Loan shall be repaid at its full Principal Amount on the Repayment Date; provided, however, that if such day is not a Business Day, payment will be due the next following day which is a Business Day.
- 5.2 Upon repayment of the Loan in full, the Lender shall surrender this Schuldschein to the Borrower without the need for any request or demand by the Borrower.

## **6 Payments**

- 6.1 The Borrower shall make all payments under this Schuldschein, as and when due, to an account to be notified to it by the Lender.
- 6.2 If claims under this Schuldschein are assigned pursuant to Clause 13, and such assignment to the assignee had been notified to the Borrower at least two weeks prior to the relevant payment date, the Borrower will be discharged from its respective payment obligations only by making payment to the assignee or a bank or other institution or person designated by it.
- 6.3 Payments will be subject in all cases to any fiscal or other laws, rules and regulations applicable thereto.

## **7 Taxation**

All payments of principal and interest in respect of the Loan shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Republic of Italy or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Borrower shall pay such additional amounts as shall result in receipt by the Lender of such amounts as would have been received by them had no such withholding or deduction been required. The requirement to pay such additional amounts shall not apply in respect of the Loan where such withholding or deduction is required pursuant to Italian Presidential Decree No. 600 of 29<sup>th</sup> September, 1973, as subsequently amended.



## **8 Early Termination**

8.1 The Loan may be repaid at the option of the Borrower in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Lender (which notice shall be irrevocable), at the Early Repayment Amount together with interest accrued to the date fixed for repayment), if:

8.1.1 the Borrower has or will become obliged to pay additional amounts as provided or referred to in Clause 7 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, which change or amendment becomes effective on or after the Disbursement Date; and

8.1.2 such obligation cannot be avoided by the Borrower taking reasonable measures available to it, provided that no such notice of repayment shall be given earlier than 90 days prior to the earliest date on which the Borrower would be obliged to pay such additional amounts were a payment in respect of the Loan then due.

Before the giving of any notice of repayment pursuant to this paragraph, the Borrower shall deliver to the Lender a certificate signed by the duly authorised body of the Borrower stating that the Borrower is entitled to effect such repayment and setting forth a statement of facts showing that the conditions precedent to the right of the Borrower so to repay have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Borrower has or will become obliged to pay such additional amounts as a result of such change or amendment.

8.2 The Early Repayment Amount payable in respect of the Loan, upon repayment of the Loan pursuant to Clause 8.1 or upon it becoming due and payable as provided in Clause 9, shall be the outstanding Principal Amount (the "Early Repayment Amount") (together with interest accrued to the date fixed for repayment).

## **9 Events of Default**

If any of the following events ("Events of Default") occurs and is continuing, the Lender may give written notice to the Borrower that the Loan is immediately repayable, whereupon the Early Repayment Amount of the Loan together with accrued interest to the date of payment shall become immediately due and payable, unless such event of default shall have been remedied prior to the receipt of such notice by the Lender:

9.1 default is made for more than 15 days (in the case of interest) or seven days (in the case of principal) in the payment on the due date of interest or principal in respect of any of the Loan; or

9.2 the Borrower does not perform or comply with any one or more of its other obligations under the Loan which default is incapable of remedy or is not remedied within 30 days after notice of such default shall have been given to the Borrower by the Lender; or

9.3 a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Borrower and is not discharged or stayed within 30 days; or

9.4 any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Borrower becomes enforceable 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

9.5 the Borrower is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debt or 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

9.6 an order is made or an effective resolution passed for the winding-up or dissolution of the Borrower or the Borrower, ceases or threatens to cease to carry on all or a substantial part of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Lender; or

9.7 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.

## **10 Representations and Warranties**

The Borrower represents, warrants and agrees to and with the Lender that:

10.1 it is duly incorporated and validly existing under the laws of the Republic of Italy with full power and authority to conduct its business, and is lawfully qualified to do business in those jurisdictions in which business is conducted by it;

- 10.2 this Schuldschein has been duly authorised, executed and delivered by it and constitutes, valid and legally binding obligations of it;
- 10.3 all action or things required to be taken, fulfilled or done (including without limitation the obtaining of any consent or licence or the making of any filing or registration) for the issue of the Schuldschein, the carrying out of the transactions contemplated by the Schuldschein or the compliance by it with the terms of the Schuldschein have been obtained and are in full force and effect;
- 10.4 the execution and delivery of the Schuldschein, the carrying out of the transactions contemplated by the Schuldschein and compliance with its terms do not and will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the documents constituting it or any agreement or instrument to which it is a party or by which it or its properties is bound or conflict with any applicable law, regulation or official or judicial order;
- 10.5 there are no pending actions, suits or proceedings against or affecting it or any of its respective properties that, if determined adversely to it or any such subsidiary, would individually or in the aggregate have a material adverse effect on the condition (financial or other), prospects, results of operations or general affairs of it, or on the ability of it to perform its obligations under the Schuldschein, or that are otherwise material in the context of the issue of the Schuldschein and, to the best of it's knowledge, no such actions, suits or proceedings are threatened or contemplated.
- 10.6 no event has occurred or circumstance arisen that had the Schuldschein already been issued might (whether or not with the giving of notice and/or the passage of time and/or the fulfilment of any other requirement) constitute an event described under "Events of Default".

## **11 Undertakings**

The Borrower agrees with the Lender that:

- 11.1 it will notify the Lender of anything which occurs which renders or may render untrue or incorrect in any material respect any of the representations and warranties contained in Clause 10 and will forthwith take such steps as may be reasonably requested by the Lender to remedy the same;
- 11.2 it shall, upon the request of the Lender, for so long as any principal or interest in respect of the Loan remains outstanding, deliver to the Lender copies (if prepared) of its audited consolidated and non-consolidated annual financial statements as soon as the same become available at the end of the Borrower's financial year.

## **12 Notices**

- 12.1 Any communications under this Schuldschein shall be made by letter or fax.
- 12.2 Unless a change of address or fax number shall have been notified in writing, any communication under this Schuldschein shall be made to the following addresses:

12.2.1 If made to the Borrower, to it at:

Interbanca S.p.A  
Back Office  
Corso Venezia n. 56  
20121 – MILANO  
ITALY  
Tel: +39 02 7731 321  
Fax: +39 02 7602 0304  
Attn.: Mr Mauro Clerici

12.2.2 if made to the Lender, to it at:

[●]  
Tel: [●]  
Fax: [●]  
Attn.: [●]

**13 Assignment**

- 13.1 The Lender may assign its claims under this Schuldschein in whole or in part, provided however that the claims under this Schuldschein may be assigned in whole or in part not more than three times, and that any such assignment may only be made in a minimum amount of [currency] [amount] or a whole multiple thereof. In order to ensure that the Borrower be made aware of the assignment, the Lender shall inform the Borrower in writing in the event of an assignment, pursuant to Section 407 German Civil Code (Bürgerliches Gesetzbuch, BGB).
- 13.2 An assignment of any claims under this Loan to U.S. Persons (as defined in Regulation S under the U.S. Securities Act of 1933, as amended) or persons who are within the U.S. or its possessions is excluded.

**14 Miscellaneous**

- 14.1 Presentation of this Schuldschein shall not be required in order to prove the rights and claims of the Lender arising under this Schuldschein.
- 14.2 The general conditions of business of the Lender and the Borrower shall not apply to this Schuldschein.
- 14.3 Should any of the provisions of this Schuldschein be or become invalid in whole or in part or permanently impracticable such invalidity or impracticability shall not affect the validity of the remaining provisions. However, the parties shall be obliged to cooperate without delay in the substitution of the invalid or impracticable provision by such valid or practicable provision which comes closest to the commercial result of the invalid or impracticable provision.
- 14.4 Any provision of this Schuldschein, including this Clause 14.4, may be amended or supplemented only in writing.
- 14.5 The form and content of this Schuldschein and all rights and obligations arising hereunder shall be governed exclusively by, and construed in accordance with the laws of the Federal Republic of Germany.
- 14.6 Place of performance and place of jurisdiction shall be Frankfurt am Main.
- 14.7 The Borrower appoints [ ] Federal Republic of Germany, as its agent of process (the “Process Agent”) to receive service of process in any legal action or proceedings arising out of, or in connection with, this Schuldschein in the Federal Republic of Germany. The Process Agent shall be exempted from the restrictions of § 181 German Civil Code.
- 14.8 This Schuldschein will be executed in one original (*Ausfertigung*) which will be retained by the Lender. [The] [Each of the] Borrower [and the Calculation Agent] will receive a conformed copy of this Schuldschein.

Place, Date:

Interbanca S.p.A.

\_\_\_\_\_  
By:

\_\_\_\_\_  
By:

Acknowledged by:  
[LENDER]

\_\_\_\_\_  
By:

\_\_\_\_\_  
By:

## REGISTERED OFFICE OF THE ISSUER

56 Corso Venezia  
20121 Milan  
Italy

### ARRANGER

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United Kingdom

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**REGISTRAR AND TRANSFER AGENT**

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L-1470 Luxembourg

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