

Base Prospectus 6 November 2006



Banca Italease S.p.A.

(incorporated with limited liability in the Republic of Italy)

€6,000,000,000

Euro Medium Term Note Programme

Arranger and Dealer

Lehman Brothers

IMPORTANT NOTICES

Under the Euro Medium Term Note Programme described in this Base Prospectus (the “**Programme**”), Banca Italease S.p.A (the “**Issuer**”, the “**Bank**” or “**Banca Italease**”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue non-equity securities in the meaning of Article 22 no. 6(4) of the Commission Regulation (EC) No. 809/2004 of 29 April 2004 (the “**Notes**”).

Application has been made to the Luxembourg *Commission de Surveillance du Secteur Financier* (the “**CSSF**”), which is the Luxembourg competent authority for the purpose of Directive 2003/71/EC (the “**Prospectus Directive**”) and relevant implementing measures in Luxembourg for the approval of this Base Prospectus, as a base prospectus issued in compliance with the Prospectus Directive and the *loi relative aux prospectus pour valeurs mobilières du 10 juillet 2005* (the Luxembourg law on prospectuses for securities of 10 July 2005) for the purpose of giving information with regard to the issue of the Notes under the Programme described in this Base Prospectus during the period of twelve months after the date hereof. This Base Prospectus supersedes the base prospectus prepared in relation to the Programme dated 31 October 2005.

Application has been made for Notes issued under the Programme to be admitted to trading on the regulated market of the Luxembourg Stock Exchange, a regulated market for the purposes of Directive 2004/39/EC (the “**Luxembourg Stock Exchange**”) and to be listed on the Luxembourg Stock Exchange. In relation to Notes which are intended to be listed on the Luxembourg Stock Exchange, this Base Prospectus is valid for a period of 12 months from the date of publication hereof. However, unlisted Notes may be issued pursuant to the Programme. The relevant Final Terms (as defined on page 7) 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). The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer. References in this Base Prospectus to Notes being ‘listed’ (and all related references) shall mean that such notes are intended to be admitted to trading on the Luxembourg Stock Exchange.

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**”). The relevant Final Terms will specify whether each temporary Global Note and each permanent Global Note (each, a “**Global Note**”) is to be issued in New Global Note or Classic Global Note form. 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 intended to be issued in Classic Global Note form 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. (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) and each Global Note which is intended to be issued in New Global Note form will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or 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”.

As more fully set out in “Taxation — Italy” on page 111, capital gains realised on any sale of the Notes for consideration are subject in principle to a 12.5 per cent. capital gains tax (referred to as *imposta sostitutiva*).

In order to obtain exemption at source from *imposta sostitutiva* in respect of payments of interest, principal or other amounts relating to the Notes, each Noteholder not resident in the Republic of Italy is required to certify, prior to or concurrently with the delivery of the Notes and on or before 31 March in each year thereafter, that such Noteholder is (i) deemed to be resident in a country with a double taxation treaty with the Republic of Italy (as listed in the Decree of the Ministry of Finance of 4 September 1996 as amended) which recognises the Italian fiscal authorities’ right to an exchange of information pursuant to terms and conditions set forth in the relevant tax treaty, (ii) subject to taxation in its country of residence

and (iii) the beneficial owner of payments of interest, principal or other amounts relating to the Notes, all as more fully set out in “Taxation — Italy” on page 111.

In the absence of the foregoing certification, payments of interest, principal or other amounts relating to the Notes are subject to *imposta sostitutiva* of 12.5 per cent.

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

Under the Luxembourg Law on Prospectuses for Securities which implements the Prospectus Directive, prospectuses for the listing of money market instruments having a maturity at the issue of less than 12 months and complying also with the definition of securities are not subject to the approval provisions of Part II of such law.

Notes may be issued under the Programme with a denomination of less than Euro 50,000.

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

This Base Prospectus should be read and construed together with supplements hereto and with any other documents incorporated by reference herein and, in relation to any Tranche (as defined herein) of Notes which is the subject of Final Terms (as defined herein), should be read together with the relevant Final Terms.

The Issuer has confirmed to the Dealers named under “Subscription and Sale” below that this Base Prospectus (together with for this purpose, each relevant Final Terms) contains all information which is (in the context of the Programme, the issue, offering and sale of the Notes) necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and of the rights attaching to the Notes; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue, offering and sale of the Notes and the guarantee of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

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

No representation or warranty is made or implied by the Dealers or any of their respective affiliates, and neither the Dealers nor any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base

Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see “Subscription and Sale”. In particular, Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the “**Securities Act**”) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

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

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed Euro 6,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into Euro at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)). The maximum aggregate principal amount of Notes which may be outstanding and guaranteed at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under “Subscription and Sale”.

This Base Prospectus has not been submitted to the clearance procedure of *Commissione Nazionale per le Società e la Borsa* (“**CONSOB**”) and may not be used in connection with any offering of the Notes in Italy other than to professional investors, as defined in Article 31, paragraph 2 of CONSOB Regulation No. 11522 of 1 July 1998, as amended, or in such other circumstance where an exemption from compliance with the solicitation restrictions, including those under Italian Legislative Decree No. 58 of 24 February 1998, as amended, or CONSOB Regulation No. 11971 of 14 May 1999, as amended, applies.

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to “euro” and “€” are to the currency introduced on 1 January 1999 pursuant to the Treaty establishing the European Community, as amended.

Figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same item of information may vary, and figures which are totals may not be the arithmetical aggregate of their components.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot Notes (provided that, in the case of any Tranche of Notes to be admitted to trading on the EU regulated market of the Luxembourg Stock Exchange, the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the relevant Tranche) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there can be no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes.

TABLE OF CONTENTS

Summary	6
Risk Factors	13
Information Incorporated by Reference	19
General Description of the Programme	21
Terms and Conditions of the Notes	22
Form of Final Terms	44
Summary of Provisions Relating to the Notes while in Global Form	56
Use of Proceeds	61
Banca Italease S.p.A	62
Major Shareholders and Material Contracts	103
Capitalisation	104
Selected Financial Information of the Issuer	105
Taxation	111
Subscription and Sale	117
General Information	121

SUMMARY

This summary must be read as an introduction to this Base Prospectus and any decision to invest in the Notes should be based on a consideration of the Base Prospectus as a whole, including any information incorporated by reference. No civil liability attaches to the persons responsible for this summary in any Member State of the European Economic Area which has implemented the Prospectus Directive solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus, including any information incorporated by reference. Where a claim relating to the information contained in this Base Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member States, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.

Words and expressions defined in the “Terms and Conditions of the Notes” below or elsewhere in this Base Prospectus have the same meanings in this summary.

Issuer:

Banca Italease S.p.A. is an Italian bank operating under Italian law. Its registered office is at Via Cino del Duca 12, 20122, Milan, Italy (+39 02 77651) and it is registered with the Milan Commercial Registry under number 00846180156 and with the Bank of Italy under registration number 3026.2.

The Issuer's business focuses primarily on providing credit in the form of financial leasing and medium- and long-term lending. It also offers, through the Issuer's subsidiaries, products and services which complement the provision of credit, such as insurance, instruments to hedge against interest rate risk, and the management of and, at the termination of leasing agreements, the placement in the market of, the assets and real property leased by the Issuer. The Banca Italease group of companies (the “**Group**”) had over 986 employees as at 30 June 2006, and its major shareholders are predominantly cooperative banks.

The Bank is the leading operator in the Italian leasing market with a market share of 15.9% as at 30 June 2006, moving to first position from third place in 2003 with a market share of 5.7% and second place in 2004 with a market share of 12.5% (Source: *Assilea*).

The Bank is directly present through its 27 offices which handle leasing arrangements, five branch offices and five commercial desks specialising in factoring services, and also operates through branches of other banks, approximately 4,900 of which sell leasing products and approximately 8,200 of which sell factoring services.

In 2005 Banca Italease recorded consolidated net income of €93.5 million, representing an increase of 62% compared to the previous year's consolidated net income of €57.7 million (unaudited pro-forma and including IAS 32 and IAS 39). Its consolidated return on equity was 17.6% in 2005. These results reduced the Bank's operating costs as a proportion of its interest margin to 32.8% in 2005 from 38.9% in 2004. The average amount of capital invested in leasing transactions rose by 31% in 2005 to €8,712 million, as compared to €6,648 million in 2004.

Including mortgages, which Banca Italease began providing in 2004, and factoring, which Italease began providing in 2005 the total average amount of capital invested in 2005 was €10,588 million. In connection with the growth in its business, it was able to maintain the quality of credit within its portfolio, which despite increases in volume remained relatively unchanged as compared to prior years.

For further details see “Banca Italease S.p.A.”.

Description:	Euro Medium Term Note Programme.
Size:	Up to Euro 6,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
Arranger:	Lehman Brothers International (Europe).
Dealer:	Lehman Brothers International (Europe). The Issuer 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.
Fiscal Agent:	HSBC Bank plc London.
Registrar:	HSBC Bank plc London.
Admission to Trading:	Each Series may be admitted to trading on the EU regulated market of the Luxembourg Stock Exchange and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system as may be agreed between the Issuer and the relevant Dealer(s) and specified in the relevant Final Terms or may be issued on the basis that they will not be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system.
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes may 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 the relevant Final Terms (the “ Final Terms ”). For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, supplement the Terms and Conditions of the Notes and this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions

applicable to any particular Tranche of Notes which is the subject of Final Terms are the Terms and Conditions of the Notes as supplemented, amended and/or replaced to the extent described in the relevant Final Terms.

Issue Price:

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.

Form of Notes:

The Notes may be issued in bearer form only ("**Bearer Notes**"), in bearer form exchangeable for Registered Notes ("**Exchangeable Bearer Notes**"), in registered form only ("**Registered Notes**") or in such other form agreed by the Issuer, the Fiscal Agent and the relevant Dealer.

Clearing Systems:

Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system (including without limitation Monte Titoli S.p.A.) as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer.

Pursuant to the regulations of CONSOB, as from 5 October 1998 all securities cleared through Monte Titoli S.p.A. will be required to be in dematerialised form.

Currencies:

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers.

Maturities:

No maximum or minimum maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements. As at the date hereof, (i) Lower Tier II Subordinated Notes will have a maturity of not less than five years, (ii) Upper Tier II Subordinated Notes will have a maturity of not less than 10 years and (iii) Tier III Subordinated Notes will have a maturity of not less than two years.

Pursuant to Bank of Italy Regulation No. 229 of 21 April 1999, the Issuer may not issue Senior Notes with an original maturity of less than 36 months or an average maturity of less than 24 months. In addition, the Issuer may not issue Senior Notes which are to be fungible with outstanding Senior Notes unless the average maturity is greater than or equal to 24 months and the residual maturity of the original Senior Notes is not less than 18 months.

Denomination:

No Notes may be issued under the Programme which (a) have a minimum denomination of less than Euro 1,000 (or nearly equivalent in another currency), or (b) carry the right to acquire shares (or transferable securities equivalent to shares) issued by the Issuer or by any entity to whose Group the Issuer belongs. Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Fixed Rate Notes:

Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.

Floating Rate Notes:	<p>Floating Rate Notes will bear interest determined separately for each Series as follows:</p> <ul style="list-style-type: none"> (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.; or (ii) by reference to LIBOR or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin.
Zero Coupon Notes:	<p>Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.</p>
Variable Coupon Amount Notes:	<p>The Final Terms issued in respect of each issue of variable coupon amount Notes will specify the basis for calculating the amounts of interest payable, which may be by reference to a stock index or formula or as otherwise provided in the relevant Final Terms.</p>
Dual Currency Notes:	<p>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 Final Terms.</p>
Index Linked Notes:	<p>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 Final Terms.</p>
Interest Periods and Interest Rates:	<p>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. All such information will be set out in the relevant Final Terms.</p>
Redemption:	<p>The relevant Final Terms will specify the basis for calculating the redemption amounts payable.</p> <p>In the case of Upper Tier II Subordinated Notes, redemption is subject to the prior consent of the Bank of Italy. Such consent is dependent on the Issuer satisfying the capital adequacy requirements of the Bank of Italy applicable at that time to Italian banks.</p>
Redemption by Instalments:	<p>The Final Terms 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.</p> <p>In the case of Upper Tier II Subordinated Notes, redemption is subject to the prior consent of the Bank of Italy. Such consent is dependent on the Issuer satisfying the</p>

capital adequacy requirements of the Bank of Italy applicable at that time to Italian Banks.

Other Notes:

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 Issuer and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Final Terms.

Status of Notes:

The Notes constitute “*obbligazioni*” pursuant to the Italian Civil Code and Article 12 of the Italian Banking Law. Senior Notes will constitute unsubordinated and unsecured obligations of the Issuer. Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes and Tier III Subordinated Notes all constitute subordinated obligations of the Issuer, in each case as described in “Terms and Conditions of the Notes — Status”.

Loss Absorption on Upper Tier II Subordinated Notes:

To the extent that the Issuer at any time suffers losses which would result in a reduction of the Issuer’s paid-up capital and reserves below the minimum capital threshold necessary to be authorised by the Bank of Italy to carry on its banking activities, the sums received for the Upper Tier II Subordinated Notes and the accrued interest will be used to cover such losses, so as to enable the Issuer to maintain at least the required minimum capital to continue its activities. The obligations of the Issuer in respect of interest and principal due under Upper Tier II Subordinated Notes which are so reduced will be subject to reinstatement in certain circumstances.

Deferral of Interest on Upper Tier II Subordinated Notes:

The Issuer is not required to pay interest on Upper Tier II Subordinated Notes on an Interest Payment Date if (i) no annual dividend has been approved by the shareholders of the Issuer or paid in respect of any class of shares during the 12 month period ended on the date immediately preceding such Interest Payment Date; or (ii) the Board of Directors of the Issuer has announced at the time of publication of any interim accounts of the Issuer published during the six months immediately preceding such Interest Payment Date that, based on such accounts, no sums are available at such time in accordance with Italian law for the payment of interim dividends.

Tier III Subordinated Notes:

Tier III Subordinated Notes shall be subject to the same restrictions provided in respect of similar indebtedness qualifying as Upper Tier II Subordinated Notes or Lower Tier II Subordinated Notes except that any Tier III Subordinated Notes shall (i) have a different minimum maturity period, as specified in the relevant Final Terms, and (ii) be subject to a lock-in clause pursuant to which payments of interest and repayment of principal amount cannot be effected if such payments or repayment would reduce the total value of the Issuer’s assets below the minimum capital requirements of Italian law.

Negative Pledge:

Applicable to Senior Notes only. See “Terms and Conditions of the Notes — Negative Pledge”.

Cross Default:	Applicable to Senior Notes only. See “Terms and Conditions of the Notes — Events of Default”.
Early Redemption:	<p>Except as provided in “Optional Redemption” below, Notes will be redeemable at the option of the Issuer prior to maturity if so specified in the relevant Final Terms but only for tax reasons.</p> <p>In the case of Subordinated Notes, redemption is subject to the prior consent of the Bank of Italy. Such consent is dependent on the Issuer satisfying the capital adequacy requirements of the Bank of Italy applicable at that time to Italian banks.</p>
Optional Redemption:	<p>The Final Terms 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 Issuer (either in whole or in part) and/or the Holders, and if so the terms applicable to such redemption. In the case of Subordinated Notes, redemption is subject to the prior consent of the Bank of Italy. Such consent is dependent on the Issuer satisfying the capital adequacy requirements of the Bank of Italy applicable at that time to Italian banks.</p> <p>Under Bank of Italy Regulation No. 229 of 21 April 1999, Senior Notes may not be redeemed (i) at the option of the Issuer prior to the date falling 18 months after their date of issue and (ii) at the option of Noteholders prior to the date falling 24 months after their date of issue.</p>
Withholding Tax:	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, subject to customary exceptions (including the IPMA Standard EU Exception), all as described in “Terms and Conditions of the Notes — Taxation”.
Governing Law:	English law except for Condition 3(b), 3(c), 3(d) and 3(e) which shall be governed by, and construed in accordance with, Italian law.
Listing:	The Luxembourg Stock Exchange or as otherwise specified in the relevant Final Terms. As specified in the relevant Final Terms, a Series of Notes may be unlisted.
Selling Restrictions:	United States, the European Economic Area, United Kingdom, Republic of Italy and Japan. See “Subscription and Sale”. The Issuer is Category 2 for the purposes of Regulation S under the United States Securities Act of 1933, as amended.
Risk Factors:	<p>Set forth below is a summary of the risk factors that the Issuer believes are the principal risks involved in an investment of Notes that will be generally applicable to most Series of Notes. These are set out more fully under “Risk Factors” below.</p> <p>Risks regarding Banca Italease and the Group</p> <ul style="list-style-type: none"> • Risks arising out of arrangements with shareholder banks, partner banks and certain related parties

- Risks arising from changes to interest rates

Risks regarding the Group's Business Sector

- Competition
- Risks associated with the legislative, accounting and regulatory context

Risks regarding the Notes

- The Notes may not be a suitable investment for all investors
- Risks related to the structure of a particular issue of Notes
- Notes subject to optional redemption by the Issuer
- The Notes may be redeemed prior to maturity
- Index Linked Notes and Dual Currency Notes
- Partly-paid Notes
- Variable Rate Notes with a multiplier or other leverage factor
- Inverse Floating Rate Notes
- Fixed/Floating Rate Notes
- Notes issued at a substantial discount or premium
- Subordinated Notes

Risks related to Notes generally

- EU Savings Tax Directive
- Change of law

Risks related to the market generally

- The secondary market generally
- Exchange rate risks and exchange controls
- Interest rate risks
- Credit ratings may not reflect all risks

RISK FACTORS

Prospective investors should read the entire Base Prospectus. Words and expressions defined in the “Terms and Conditions of the Notes” below or elsewhere in this Base Prospectus have the same meanings in this section.

Investing in the Notes involves certain risks. Prospective investors should consider, among other things, the following:

RISKS REGARDING BANCA ITALEASE AND THE GROUP

Risks arising out of arrangements with shareholder banks, partner banks and certain related parties

A percentage of the Issuer’s leasing arrangements (measured by sales volume) are generated by its shareholder banks and partner banks with whom it has distribution agreements. Together, these banks generated €1,407.0 million of the €3,260.0 million of initiated leases, or 43.1% of the Issuer’s leasing business in 2005. Such banks generated 70.9% and 77.7%, respectively, of the Issuer’s leasing business in 2003 and 2002. The volume of leases initiated in 2004 with key shareholder banks equalled €1,025.0 million, representing 72.9% of all leases generated by shareholder and partner banks and 31.0% of total leases initiated in that year. See “*Banca Italease S.p.A. — The Issuer’s Business — Distribution Channels*” for further information regarding the Issuer’s distribution agreements.

In addition, the Bank’s shareholder and partner banks generated turnover of €5,225 million from factoring in 2005, representing 41% of total turnover of Italease Factorit’s factoring business, while in 2004 and 2003 such banks generated 40% and 41%, respectively, of the factoring business previously carried on by Factorit S.p.A..

Pursuant to a stability agreement (*patto di stabilità*) entered into by Banca Italease’s key shareholder banks which was renewed on 28 April 2005 (the “**Stability Agreement**”), such shareholder banks have, among other things, committed to sell its products through at least 50.0% of their branches or provide the Issuer with at least 50.0% of the new leasing arrangements generated by them for three years.

The volume of leases initiated in 2005 through key shareholder banks equalled €679 million, representing 57% of all leases generated by shareholder and partner banks and 12% of total leases initiated in that year. In the Group’s factoring business, turnover realised through arrangements with key shareholder banks in 2005 equalled €4,029 million, representing 77% of the total amount of turnover generated by shareholder and partner banks and 31% of total turnover that year.

In addition, the Bank’s shareholder banks, particularly those party to the stability agreement, have historically provided a significant portion of the Bank’s funding needs. The Issuer’s outstanding indebtedness towards banks as at 31 December 2005 was €4,166 million, of which €1,894 million (or 45%) was towards key shareholder banks. At the same date, Italease Factorit’s outstanding indebtedness towards banks was €1,876 million, of which €1,128 million (or 60%) was towards key shareholder banks.

The interruption of any of the Issuer’s relationships with its shareholder banks or partner banks, and in particular any interruption in or termination of the marketing and distribution agreements under which they or others sell leasing products on its behalf could have a material effect on the Issuer’s business, its results of operation or its financial condition. See “*Banca Italease S.p.A. — The Issuer’s Business — Distribution Channels*”.

Risks arising from changes to interest rates

The Issuer’s business is affected by the fluctuation in interest rates. Should interest rates rise, they may adversely affect a range of variables, including: (i) its customers. willingness to borrow under leasing and factoring agreements; (ii) its customers. ability to repay the borrowings they have assumed (particularly where their obligations are at floating rates and they have not hedged adequately against such rises); or (iii) its ability to realise positive interest margins, as there is a reduced differential between the interest rates

it must lend at and the interest rates at which it is able to borrow funds. As at 31 December 2005, a parallel shift upward in the interest rate yield curve by 100 basis points would have exposed the Issuer to a risk of loss of €4.16 million over a 12-month period. For further information regarding the effect of a change in interest rates on the Issuer's financial results, assets and financial position, see also "*Banca Italease S.p.A. — The Issuer's Business — Risk Management*".

RISKS REGARDING THE GROUP'S BUSINESS SECTOR

Competition

The Issuer is subject to competition from companies who may offer the same products and other forms of alternative and/or novel forms of borrowing. As a result of this competition, it may not be able to attract and retain new clients or sustain the rate of growth.

Risks associated with the legislative, accounting and regulatory context

The Issuer's business is subject to specific legislation and supervision by the Bank of Italy. Its ability to continue practising its business is dependent upon its ability to retain authorizations to do so. Any changes to the legislative and/or regulatory context in which the leasing and factoring sectors operate, including with respect to fiscal or accounting matters, could have a material adverse effect on its business.

RISKS REGARDING THE NOTES

The Notes may not be a suitable investment for all investors

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

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

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

Risks related to the structure of a particular issue of Notes

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

common such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Notes may be redeemed prior to maturity

Unless in the case of any particular Tranche of Notes the relevant Final Terms specifies otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Italy or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

Index Linked Notes and Dual Currency Notes

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

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal; and
- (v) the factors which determine the amount of principle or interest may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

Partly-paid Notes

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

Variable rate Notes with a multiplier or other leverage factor

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

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market

values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

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

Notes issued at a substantial discount or premium

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

Subordinated Notes

If in the case of any particular Tranche of Notes the relevant Final Terms specifies that the Notes are subordinated obligations of the Issuer and the Issuer is declared insolvent and a winding up is initiated, it will be required to pay the holders of senior debt and meet its obligations to all its other creditors (including unsecured creditors but excluding any obligations in respect of subordinated debt) in full before it can make any payments on the relevant Notes. If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due under the relevant Notes.

For a full description of the provisions relating to Subordinated Notes, see Condition 3 (*Status*) of the Terms and Conditions.

Risks related to Notes generally

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

EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also with effect from 1 July 2005, a number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, Member States have entered into reciprocal provision of information or transitional withholding arrangements with

certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

The EC Council Directive 2003/48/EC has been implemented in Italy by Legislative Decree No. 84 of 18 April 2005. Pursuant to said decree, Italian paying agents (e.g., banks, SIMs, SGRs, financial companies and fiduciary companies resident in Italy for tax purposes, permanent establishments in Italy of non resident persons as well as any other person resident in Italy for tax purposes paying interest for professional or commercial reasons) shall report to the Italian tax authorities details of interest payments made from 1 July 2005 to individuals which qualify as beneficial owners thereof and are resident for tax purposes in another EU Member State. Such information will be transmitted by the Italian tax authorities to the competent authorities of the State of residence of the beneficial owner of the interest payment by 30 June of the fiscal year following the fiscal year in which said interest payment is made.

Change of law

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

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

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depository or common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg. While the Notes are represented by one or more Global Notes the Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the common depository or common safekeeper (as the case may be) for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes. Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

Risks related to the market generally

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

The secondary market generally

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

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally

in a currency or currency unit (the “**Investor’s Currency**”) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Specified Currency would decrease (1) the Investor’s Currency-equivalent yield on the Notes, (2) the Investor’s Currency equivalent value of the principal payable on the Notes and (3) the Investor’s Currency equivalent market value of the Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

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

Credit ratings may not reflect all risks

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

INFORMATION INCORPORATED BY REFERENCE

The following information, which has previously or simultaneously been filed with the CSSF, shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

- (1) the by-laws (*statuto*) of the Issuer for information only;
- (2) the audited consolidated financial statements (including the balance sheet, the income statement, the auditors report thereon and explanatory notes thereto) of the Issuer in respect of the years ended 31 December 2004 set out on pages 125 to 202 of the annual report of the Issuer;
- (3) the audited consolidated financial statements (including the balance sheet, the income statement, the auditors report thereon and explanatory notes thereto) of the Issuer in respect of the years ended 31 December 2005 (set out on pages 217 to 354, of the annual reports of the Issuer);
- (4) the unaudited consolidated interim semi-annual financial statements (including the balance sheet, the income statement and the explanatory notes thereto) of the Issuer in respect of the six months ended 30 June 2005, set out on pages 16 to 72 of the interim reports of the Issuer, such unaudited interim semi-annual financial statements have not been subjected to a limited review;
- (5) the unaudited consolidated interim semi-annual financial statements (including the balance sheet, the income statement, the statements of sources and application of funds, and the explanatory notes thereto) of the Issuer in respect of the six months ended 30 June 2006 (set out on pages 40 to 108 of the interim reports of the Issuer).

Any information not listed in the cross reference table but included in the documents incorporated by reference is given for information purposes only.

Copies of such information incorporated by reference shall be made available free of charge at the offices of the Paying Agent in Luxembourg. In addition, the documents will be available on the website of the Luxembourg Stock Exchange (www.bourse.lu) and the website of the Issuer (www.italease.it).

The Issuer has given an undertaking to the Dealers and the Luxembourg Stock Exchange that if at any time during the duration of the Programme a significant new factor, material mistake or inaccuracy relating to the information contained in this Base Prospectus which is capable of affecting the assessment of the Notes arises or whose inclusion would reasonably be required by investors and their professional advisers, and would reasonably be expected by them to be found in this Base Prospectus, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and its Subsidiaries (as defined in the “Terms and Conditions of the Notes”) (together the “**Group**”) the rights attaching to the Notes, or there is any change in the information set out under “Terms and Conditions of the Notes” that is material in the context of the Programme, the Issuer shall prepare a supplement to this Base Prospectus or publish a replacement Base Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer and the Luxembourg Stock Exchange such number of copies of such supplement hereto as such Dealer and the Luxembourg Stock Exchange may reasonably request.

The table below sets out the relevant page references in relation to the financial statements referred to above.

<i>Consolidated annual financial statements</i>	2004	2005
Balance sheet	130	227
Income statement	132	228
Cash flow statement	134	230
Accounting policies and explanatory notes.....	135	235
Auditors' review/report	127	217
 <i>Consolidated interim financial statements</i>	 2005	 2006
Balance sheet	19	41
Income statement	21	42
Cash flow statement	23	45
Accounting policies and explanatory notes.....	24	47
Auditors' review/report	16	117

GENERAL DESCRIPTION OF THE PROGRAMME

The applicable terms of any Notes will be agreed between the relevant Issuer and the relevant Dealer(s) prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, or annexed to, the Notes, as supplemented by the applicable Final Terms attached to, or endorsed on, such Notes.

Notes issued under the Programme may be issued pursuant to this Base Prospectus and associated Final Terms ("**Final Terms**") prepared in connection with a particular tranche of Notes.

This Base Prospectus and any supplement will only be valid for the listing of Notes on the EU regulated market of the Luxembourg Stock Exchange in an aggregate principal amount which, when added to the aggregate principal amount then outstanding of all Notes previously or simultaneously issued under this Programme, does not exceed €6,000,000,000 (or its equivalent in other currencies).

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

The Notes are issued pursuant to an agency agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated 6 November 2006 between Banca Italease S.p.A. (the "**Issuer**"), HSBC Bank plc London as fiscal agent (the "**Fiscal Agent**", which expression shall include any successor to HSBC Bank plc London in its capacity as such) and as transfer agent, HSBC Bank plc London in its capacity as registrar (the "**Registrar**", which expression shall include any successor to HSBC Bank plc London in its capacity as such) and Kredietbank S.A. Luxembourgeoise, as paying agents (together with the Fiscal Agent, the "**Paying Agents**", which expression shall include any successor or additional paying agents appointed in accordance with the Agency Agreement) and as transfer agent (together with the transfer agent mentioned above, the "**Transfer Agents**", which expression shall include any successor or additional transfer agents appointed in accordance with the Agency Agreement). For the purposes of making determinations or calculations of interest rates, interest amounts, redemption amounts or any other matters requiring determination or calculations in accordance with the Conditions of any Series of Notes (as defined below), the Issuer may appoint a calculation agent (the "**Calculation Agent**") for the purposes of such Notes, in accordance with the provisions of the Agency Agreement, and such Calculation Agent shall be specified in the applicable Final Terms. The Notes have the benefit of a Deed of Covenant (as amended or supplemented as at the Issue Date, the "**Deed of Covenant**") dated 6 November 2006 executed by the Issuer in relation to the Notes. Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents. All persons from time to time entitled to the benefit of obligations under the Notes shall be deemed to have notice of, and shall be bound by, all of the provisions of the Agency Agreement and the Deed of Covenant insofar as they relate to the relevant Notes.

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

References in these Terms and Conditions to Notes are to Notes of the relevant Series and any reference to Coupons (as defined in Condition 1) and Receipts (as defined in Condition 1) are to Coupons and Receipts relating to the Notes of the relevant Series.

References in these Terms and Conditions to euro are to the currency introduced on 1 January 1999 pursuant to the Treaty establishing the European Community, as amended.

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

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

1. FORM, 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 in the relevant Final Terms. No Notes may be issued under the Programme which (a) have a minimum denomination of less than Euro 1,000 (or nearly equivalent in another

currency), or (b) carry the right to acquire shares (or transferable securities equivalent to shares) issued by the Issuer or by any entity to whose Group the Issuer belongs. Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

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 in the relevant Final Terms.

Bearer Notes are serially numbered and have attached thereto at the time of their initial delivery coupons (“**Coupons**”) (and, where appropriate, a talon (“**Talon**”)), 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 payment receipts (“**Receipts**”) attached in respect of the instalments of principal.

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 in the relevant Final Terms, 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. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

- (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. STATUS

- (a) **Status of Senior Notes:** 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) unsubordinated and 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 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, present and future.

- (b) **Status of Lower Tier II Subordinated Notes and Upper Tier II Subordinated Notes:** The Lower Tier II Subordinated Notes (*Passività Subordinate*) and Upper Tier II Subordinated Notes (*Strumenti Ibridi di Patrimonializzazione*) as defined under Title IV, Chapter 1 of the Bank of Italy's regulations (*Istruzioni di Vigilanza della Banca d'Italia*) in force as of the date hereof (being those Notes that specify their Status as Lower Tier II Subordinated Notes or Upper Tier II Subordinated Notes, respectively) (together with Tier III Subordinated Notes, "Subordinated Notes") and the Receipts and Coupons relating to them constitute unsecured obligations of the Issuer and, subject to Condition 3(c), rank *pari passu* and without any preference among themselves. In relation to each Series of Lower Tier II Subordinated Notes or Upper Tier II Subordinated Notes, all Lower Tier II Subordinated Notes or Upper Tier II Subordinated Notes of such Series will be treated equally and all amounts paid by the Issuer in respect of principal and interest thereon will be paid *pro rata* on all Lower Tier II Subordinated Notes or Upper Tier II Subordinated Notes, as the case may be, of such Series. In the event of the bankruptcy, dissolution or winding-up of the Issuer, including, *inter alia*, "*liquidazione coatta amministrativa*", as identified under Italian Legislative Decree No. 385 of 1st September 1993 (the "*Liquidazione Coatta Amministrativa*") the payment obligations of the Issuer under Lower Tier II Subordinated Notes or Upper Tier II Subordinated Notes and the Receipts and Coupons relating to them shall rank in right of payment after unsubordinated, unsecured creditors (including depositors) of the Issuer but *pari passu* with all of the present and future subordinated obligations of the Issuer that are not expressed by their terms to rank junior to or senior to the Lower Tier II Subordinated Notes or Upper Tier II Subordinated Notes, as the case may be, and in priority to the claims of shareholders of the Issuer.
- (c) **Special Provisions relating to Upper Tier II Subordinated Notes:** To the extent that the Issuer at any time suffers losses which would result in a reduction of the Issuer's paid-up capital and reserves below the minimum capital threshold necessary to be authorised by the Bank of Italy to carry on its banking activities the obligations of the Issuer in respect of interest and principal for the Upper Tier II Subordinated Notes will be reduced and, the sums received for the Upper Tier II Subordinated Notes and the accrued interest will be used to cover such losses, so as to enable the Issuer in accordance with Italian laws and regulations to maintain at least the required minimum capital to continue its activities which is applicable at that time for Italian Banks. The obligations of the Issuer in respect of interest and principal due under the Upper Tier II Subordinated Notes which are so reduced will be reinstated whether or not the maturity date of the relevant obligation has occurred:
- (i) in whole, in the event of bankruptcy, dissolution, liquidation or winding-up of the Issuer or in the event that the Issuer becomes subject to an order for *Liquidazione Coatta Amministrativa* and with effect prior to the commencement of such bankruptcy, dissolution, liquidation or winding up or order for *Liquidazione Coatta Amministrativa* as if such obligations of the Issuer were not so reduced in accordance with this Condition 3(c); and
 - (ii) in whole or in part, from time to time, to the extent that the Issuer, by reason of it obtaining new capital contributions, or by reason of the occurrence of any other event, would again have at least the minimum capital threshold necessary to be authorised by the Bank of Italy to carry out its banking activities and would not be required to reduce its capital to below the minimum capital which is applicable at that time for Italian Banks.
- (d) **Deferral of Interest:** The Issuer is not required to pay interest on the Upper Tier II Subordinated Notes on an Interest Payment Date if (a) no annual dividend has been approved by the shareholders of the Issuer or paid in respect of any class of shares during the 12 month period ending on the date immediately preceding such Interest Payment Date; or (b) the board of directors of the Issuer has announced at the time of publication of any interim accounts of the Issuer published during the six months immediately preceding such Interest Payment Date that, based on such accounts, no sums are available at such time in accordance with Italian law for the payment of interim dividends.

Subject to what provided by Title IV, Chapter 1 of Bank of Italy's regulations ("Istruzioni di Vigilanza della Banca d'Italia") and by Conditions 3 (c) and 3 (d) above unpaid amounts of interest will constitute arrears of interest which will bear interest at the rate applicable to the relevant Upper Tier II Subordinated Notes. Arrears of interest (together with any additional interest amounts in respect of such arrears of interest) become due and payable (i) in part pari passu and pro rata if and to the extent that the Issuer makes payment of or in respect of amounts of interest on or in relation to any other pari passu claims; and (ii) in full on the earliest to occur of (x) the Interest Payment Date falling on or after the date on which a dividend is approved or paid on any class of share of the Issuer; (y) the date for repayment of the Upper Tier II Subordinated Notes; and (z) the insolvency of the Issuer or the date the Issuer becomes subject to a liquidation order.

- (e) **Tier III Subordinated Notes:** Tier III Subordinated Notes (Prestiti Subordinati di 3°. Livello) (being those Notes that are specified in the relevant Final Terms as being Tier III Subordinated Notes) and the Receipts and Coupons relating to them constitute unsecured obligations of the Issuer and rank pari passu among themselves. Tier III Subordinated Notes shall be subject to the same restrictions provided in respect of similar indebtedness qualifying as Upper Tier II Subordinated Notes or Lower Tier II Subordinated Notes except that any Tier III Subordinated Notes shall (i) have a different minimum maturity period, as specified in the relevant Final Terms, and (ii) be subject to a lock-in clause pursuant to which payments of interest and repayment of principal cannot be effected if such payments or repayment would reduce the total value of the Issuer's assets below the minimum capital requirements of Italian law (for the avoidance of doubt, in such case non payment of principal or interest shall not be considered an Event of Default under Condition 10).

The *fondo di tutela dei depositi* (i.e. depositor insurance fund) does not apply to subordinated debt.

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) the Issuer shall not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest (each a "Security") upon the whole or any substantial 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) the Issuer shall procure that no Subsidiary (as defined in Condition 4(b)) of the Issuer creates or permits to subsist any Security upon the whole or any substantial part of the undertaking, assets or revenues (present or future) of that Subsidiary to secure any of the Issuer's Relevant Debt or any guarantee of or indemnity in respect of any such Relevant Debt,

in either case, unless, at the same time or prior thereto, the Issuer's obligations under the Senior Notes, Receipts and Coupons (x) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (y) 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) **Definitions:** "Relevant Debt" means any present or future indebtedness in the form of, or represented by, bonds, notes, or other such instrument or securities that are for the time being capable of being quoted, listed, or ordinarily dealt in on any stock exchange, automated trading system, or other securities market.

"Subsidiary" means, at any particular time, a company which is then directly or indirectly controlled, or more than 50 per cent. of whose issued equity share capital (or equivalent) is then beneficially owned, by the Issuer and/or one or more of its respective Subsidiaries. For a company to be "controlled" by another means that the other (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) has the power to appoint and/or remove all or the majority of the members of the Board of Directors or

other governing body of that company or otherwise controls or has the power to control the affairs and policies of that company.

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(s) in each year up to (and including) the Maturity Date.

If a Fixed Coupon Amount or a Broken Amount is specified in the relevant Final Terms, 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 in the relevant Final Terms.

- (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 (and including) 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 in the relevant Final Terms as Specified Interest Payment Date(s) or, if no Specified Interest Payment Date(s) is/are shown in the relevant Final Terms, Interest Payment Date shall mean each date which falls the number of months or other period shown in the relevant Final Terms 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 Period shall be determined in the manner specified in the relevant Final Terms and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the relevant Final Terms.

- (A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as indicated in the relevant Final Terms) the Margin (if any). For the purposes of this subparagraph (A), "ISDA Rate" for an Interest 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:

- (a) the Floating Rate Option is as specified in the relevant Final Terms;

- (b) the Designated Maturity is a period specified in the relevant Final Terms; and
- (c) the relevant Reset Date is the first day of that Interest Period unless otherwise specified in the relevant Final Terms.
- (d) 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 in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period shall be determined by the Calculation Agent at or about the Relevant Time on the Interest Determination Date in respect of such Interest Period in accordance with the following:

- (a) 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,
 - III. in each case appearing on such Page at the Relevant Time on the Interest Determination Date;
- (b) if the Primary Source for the Floating Rate is Reference Banks or if sub-paragraph (a)(I) applies and no Relevant Rate appears on the Page at the Relevant Time on the Interest Determination Date or if sub-paragraph (a)(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 if paragraph (b) 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 Specified Currency or, if the Specified Currency is euro, in the Euro-zone 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 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 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 Period and to the relevant Interest Period).
- (iv) *Rate of Interest for Index Linked Interest Notes:* The Rate of Interest in respect of Index Linked Interest Notes for each Interest Period shall be determined in the manner specified in the relevant Final Terms and interest will accrue by reference to an Index or Formula as specified in the relevant Final Terms.

- (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 described 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 in the relevant Final Terms.
- (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 in the relevant Final Terms.
- (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 in the relevant Final Terms (either (x) generally, or (y) in relation to one or more Interest 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 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 in the relevant Final Terms, 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 the lowest amount of such currency that is available as legal tender in the country or countries, as the case may be, of such currency.
- (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 (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 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 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 Amounts in respect of each Specified Denomination of the Notes for the relevant Interest 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 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:

“**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 (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the “Calculation Period”):

- (i) if “Actual/365” or “Actual/Actual — ISDA” is specified in the relevant Final Terms, 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 in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365;
- (iii) if “Actual/360” is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 360;
- (iv) if “30/360”, “360/360” or “Bond Basis” is specified in the relevant Final Terms, 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 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that

last day shall not be considered to be shortened to a 30-day month, or (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 in the relevant Final Terms, 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-ICMA” is specified in the relevant Final Terms:
 - (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 normally ending 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 in the relevant Final Terms or, if none is so specified, the first day of the Interest Period to which such Interest Determination Date relates.

“**Euro-zone**” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community as amended by the Treaty on European Union.

“**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.

“**Interest Commencement Date**” means the Issue Date or such other date as may be specified in the relevant Final Terms.

“**Interest Determination Date**” means, with respect to a Rate of Interest and Interest Period, the date specified as such in the relevant Final Terms or, if none is so specified, (i) the first day of such Interest 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 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 Period if the Specified 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.

“ISDA Definitions” means the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the relevant Final Terms.

“Page” means such page, section, caption, column or other part of a particular information service (including, but not limited to, Reuters Markets 3000 (“Reuters”) and Moneyline Telerate (“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.

“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 in the relevant Final Terms.

“Reference Banks” means the institutions specified as such in the relevant Final Terms 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 the Euro-zone).

“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 in the relevant Final Terms 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 the Euro-zone) or, if none is so connected, the Euro-zone.

“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 in the relevant Final Terms 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 and the Euro-zone 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 in the relevant Final Terms 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 in the relevant Final Terms 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 in the relevant Final Terms or, if none is specified, a period of time equal to the relative Interest Period, ignoring any adjustment pursuant to Condition 5(b)(ii).

“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 in the relevant Final Terms 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 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 in the relevant Final Terms) 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 (subject, in the case of Upper Tier II Subordinated Notes, to the prior consent thereto having been obtained from the Bank of Italy, such consent being dependent on the Issuer satisfying the capital adequacy requirements of the Bank of Italy applicable at that time to Italian banks) on each Instalment Date at the related Instalment Amount specified in the relevant Final Terms. 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 (subject, in the case of Upper Tier II Subordinated Notes, to the prior consent thereto having been obtained from the Bank of Italy, such consent being dependent on the Issuer satisfying the capital adequacy requirements of the Bank of Italy applicable at that time to Italian banks) on the Maturity Date specified in the relevant Final Terms 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 in the relevant Final Terms.
 - (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 in the relevant Final Terms, 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 in the relevant Final Terms.

- (ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), 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 in the relevant Final Terms.
- (c) **Redemption for Taxation Reasons:** If redemption for taxation reasons is specified in the relevant Final Terms, 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 in the case of Subordinated Notes) on any Interest Payment Date or, if so specified in the relevant Final Terms, 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 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 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 taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.
- (d) **Redemption at the Option of the Issuer and Exercise of Issuer's Options:** If Call Option is specified in the relevant Final Terms, (subject, in the case of Subordinated Notes, to the prior consent thereto having been obtained from the Bank of Italy, such consent being dependent on the Issuer satisfying the capital adequacy requirements of the Bank of Italy applicable at that time to Italian banks) 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 in the relevant Final Terms) redeem, or exercise any Issuer's option (as may be described in the relevant Final Terms) 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 in the relevant Final Terms and no greater than the maximum nominal amount to be redeemed specified in the relevant Final Terms.

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.

Under Bank of Italy Regulation No. 229 of 21 April 1999, Senior Notes may not be redeemed at the option of the Issuer prior to the date falling 18 months after their date of issue.

- (e) **Redemption at the Option of Noteholders and Exercise of Noteholders' Options:** If Put Option is specified in the relevant Final Terms, (subject, in the case of Subordinated Notes, to the prior consent thereto having been obtained from the Bank of Italy, such consent being dependent on the Issuer satisfying the capital adequacy requirements of the Bank of Italy applicable at that time to Italian banks) 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 in the relevant Final Terms) 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 in the relevant Final Terms (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.

Under Bank of Italy Regulation No. 229 of 21 April 1999, Senior Notes may not be redeemed at the option of Noteholders prior to the date falling 24 months after their date of issue.

- (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 in the relevant Final Terms.
- (g) **Purchases:** The Issuer and any of its subsidiaries (with the consent of the Bank of Italy in the case of Subordinated Notes if so required pursuant to Bank of Italy Regulation No. 229 of 21 April 1999) 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.
- (h) **Cancellation:** All Notes purchased by or on behalf of the Issuer or any of its 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 in respect of any such Notes shall be discharged.

Pursuant to Bank of Italy Regulation No. 229 of 21 April 1999, the Issuer may not issue Senior Notes with an original maturity of less than 36 months or an average maturity of less than 24 months. In addition, the Issuer may not issue Senior Notes which are to be fungible with outstanding Senior Notes unless the average maturity is greater than or equal to 24 months and the residual maturity of the original Senior Notes is not less than 18 months.

The Lower Tier II Subordinated Notes will have a maturity of not less than five years; the Upper Tier II Subordinated Notes will have a maturity of not less than 10 years and the Tier III Subordinated Notes will have a maturity of not less than two years.

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. "Bank" means 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 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, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.
- (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 Laws:** All payments are subject in all cases to any applicable laws, regulations and directives in the place of payment, 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 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 do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves 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 which, so long as the Notes are listed on the Luxembourg Stock Exchange, will have 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, one of which will be Luxembourg so long as the Notes are listed on the Luxembourg Stock Exchange and the other of which shall be in a country outside the European Union, (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, in the event the European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 is brought into force. The Issuer will not be obliged to withhold or deduct tax pursuant to such Directive or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent 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) relating 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, unmaturing 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 unmaturing Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmaturing 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" in the relevant Final Terms 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 or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons 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 Issuer 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) in the Republic of Italy;
 - (ii) by or on behalf of a Noteholder or Couponholder who is:
 - (A) entitled to avoid such deduction or withholding by making a declaration of non-residence or other similar claim for exemption; or
 - (B) liable to such taxes or duties by reason of his having some connection with the Republic of Italy, other than the mere holding of the Note, Receipt or Coupon; or
 - (i) 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
 - (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or
 - (iii) except in the case of Registered Notes presented for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

- (b) in relation to any payment or deduction of any interest, principal or proceeds of any Note, Receipt or Coupon on account of imposta sostitutiva pursuant to Italian Legislative Decree No. 239 of 1 April 1996; 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 Legislative Decree No. 600 of 29 September 1973.

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 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 Subordinated Notes:
 - (i) This Condition 10(a) applies only in respect of Subordinated Notes and references to “Noteholders” or to “Holders” of “Notes”, “Receipts” or “Coupons” in this Condition 10(a) shall be construed accordingly.
 - (ii) The following events or circumstances as are modified, and/or such other events as may be specified, in the relevant Final Terms (each an Event of Default) shall be events of default in relation to any Subordinated Notes of any Series, namely:
 - (a) the Issuer fails to pay the principal for a period of 7 calendar days or more or fails to pay interest for a period of 14 calendar days or more on any of the Notes when due; or
 - (b) save for a Permitted Reorganisation, the Issuer is wound up or dissolved.
 - (iii) Upon the occurrence of an Event of Default as set out in 10(a)(ii) above any Holder of a Note of the relevant series may at its discretion and without further notice institute proceedings to determine the insolvency or bankruptcy of the Issuer or prove in any winding-up or bankruptcy of the Issuer. No remedy against the Issuer other than as specifically provided by this Condition 10(a)(iii) shall be available to Holders of the Notes, Receipts or Coupons for the recovery of amounts owing in respect of the Notes, Receipts or Coupons.
- (b) **In the case of Senior Notes:** The following events or circumstances as modified, and/or such other events as may be specified, in the relevant Final Terms (each an “Event of Default”) shall be events of default in relation to any Senior Notes of any Series, namely:

- (i) *Non-Payment*: The Issuer fails to pay the principal for a period of 7 calendar days or more or fails to pay interest for a period of 14 calendar days or more on any Notes when due; or
 - (ii) *Breach of Other Obligations*: The Issuer does not perform or comply with any of its obligations under the Notes or the Agency Agreement if such default is incapable of remedy within 45 calendar days after written notice requiring such default to be remedied has been delivered to the Issuer at the specified office of the Fiscal Agent by the relevant Noteholder; or
 - (iii) *Cross-Default*: (1) Any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes or is capable of becoming due and payable prior to its stated maturity by reason of default, or (2) any such indebtedness is not paid when due or, as the case may be, within any applicable grace periods, or (3) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph 10(b)(iii) have occurred equals or exceeds €20,000,000 or its equivalent; or
 - (iv) *Enforcement Proceedings*: A distress, attachment or execution for an amount which equals or exceeds €20,000,000 is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any of its Subsidiaries and is not discharged or stayed within 30 days; or
 - (v) *Security Enforced*: Any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Subsidiaries for an amount which equals or exceeds €20,000,000 becomes enforceable over any part of the property, assets or revenues of the Issuer or such Subsidiary and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person); or
 - (vi) *Insolvency*: The Issuer or any of its Subsidiaries is (or is, or could be, adjudicated by a court of competent jurisdiction to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Subsidiaries; or
 - (vii) *Winding-up*: Save for a Permitted Reorganisation, an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Subsidiaries, or the Issuer or any of its Subsidiaries shall apply or petition for a winding-up or administration order in respect of itself or ceases or through an official action of its board of directors threatens to cease, to carry on all or substantially all of its business or operations; or
 - (viii) *Analogous Events*: Any event occurs that under the applicable law of any relevant jurisdiction has an analogous effect to any of the events set out in paragraphs (i) to (vii) above.
- (c) If any Event of Default shall occur in relation to any series of Notes, any Holder of a Note of the relevant Series of Notes may, by written notice to the Issuer, at the specified office of the Fiscal Agent or, in the case of Registered Notes, at the specified office of the Registrar, declare that such Note and (if the Note is interest-bearing) all interest then accrued on such Note shall be forthwith due and payable, whereupon the same shall become immediately due and payable at its early termination amount (the “Early Termination Amount”) (which shall be its Outstanding Principal Amount or, if such Note is non-interest bearing, its Amortised Face Amount or such other redemption amount as may be specified, or determined in accordance with the provisions set out, in the relevant Final Terms), together with all interest (if any) accrued thereon without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Notes to the contrary notwithstanding.

(d) in this Condition, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

(a) “**Permitted Reorganisation**” means:

- (i) in the case of a Subsidiary, (a) an amalgamation, reorganisation, merger, demerger, consolidation or restructuring whilst solvent whereby all or substantially all of the business and operations of such Subsidiary are transferred to, or otherwise vested in the Issuer or another Subsidiary of the Issuer, or (b) the cessation of business or any other transaction by a Subsidiary, provided that such cessation of business or transaction shall not result in any downgrading (below investment grade) or withdrawal of, the rating of the Issuer’s debt securities by any statistical rating organisation generally recognised by banks, securities houses and investors in the euro-markets; or
- (ii) in the case of the Issuer, an amalgamation, reorganisation, merger, demerger, consolidation or restructuring whilst solvent whereby all or substantially all of the business or operations of the Issuer (or, in the case of a demerger, all or substantially all of such assets and undertaking) are vested in (1) a body corporate in good standing and such body corporate (x) assumes liability as principal debtor in respect of the Notes; and (v) continues substantially to carry on the business of the Issuer, or (2) in a Subsidiary of the Issuer; or
- (iii) any other transaction approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

For the purposes of the definition of “Permitted Reorganisation” only, “Subsidiary” means:

a company which is, at the time of the issue of the relevant Notes, directly or indirectly controlled, or more than 50 per cent. of whose issued equity share capital (or equivalent) is then beneficially owned, by the Issuer and/or one or more of its respective Subsidiaries. For a company to be “controlled” by another means that the other (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) has the power to appoint and/or remove all or the majority of the members of the Board of Directors or other governing body of that company or otherwise controls or has the power to control the affairs and policies of that company.

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 in the relevant Final Terms, 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 in the relevant Final Terms may only be taken following approval by an Extraordinary Resolution to which

the special quorum provisions apply or (viii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, 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 Final Terms in relation to such Series.

- (b) **Modification of Agency Agreement:** The Issuer 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 shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the Financial Times). In addition, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, all notices shall also be published either (i) in a newspaper of general circulation in Luxembourg (which is expected to be d'Wort) or (ii) by publication on the website of the Luxembourg Stock Exchange at www.bourse.lu. 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. CURRENCY INDEMNITY

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

16. GOVERNING LAW AND JURISDICTION

- (a) **Governing Law:** The Notes, the Receipts, the Coupons and the Talons and all matters arising from or connected with the Notes, the Receipts, the Coupons and the Talons are governed by, and shall be construed in accordance with, English law except for Condition 3(b), 3(c), 3(d) and 3(e) which shall be governed by, and 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. The Issuer 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 appointed the Italian Chamber of Commerce and Industry for the UK, 1 Princes Street, London W1B 2AY. 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.

17. 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.

FORM OF FINAL TERMS

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

Final Terms dated ●

Banca Italease S.p.A.

Issue of

[Aggregate Nominal Amount of Tranche]

[Title of Notes]

under the €6,000,000,000 Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 6 November 2006 [and the supplement to the Base Prospectus dated [●]] which [together] constitute[s] a Base Prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. [The Base Prospectus [and the supplement to the Base Prospectus] [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from [address].]

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Base Prospectus dated [original date] [and the supplement to the Base Prospectus dated [●]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”) and must be read in conjunction with the Base Prospectus dated 6 November 2006 [and the supplement to the Base Prospectus dated [●], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated [original date] [and the supplement to the Base Prospectus dated [●] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated [original date] and [current date] [and the supplements to the Base Prospectuses dated ● and ●]. [The Base Prospectuses [and the supplements to the Base Prospectuses] are available for viewing at [address] [and] [website] and copies may be obtained from [address].]

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

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

1. Issuer: Banca Italease S.p.A.
2. (i) Series Number: []

- (ii) Tranche Number: []
- (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount: []
- (i) Series: []
- (ii) Tranche: []
5. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
6. Specified Denominations: [] *[No Notes may be issued under the Programme which have a minimum denomination of less than Euro 1,000. Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be offered or sold only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses.]*
- []
7. (i) Issue Date: []
- (ii) Interest Commencement Date []
8. Maturity Date: *[specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year] [Senior Notes must have a maturity of at least 36 months or an average maturity of at least 24 months. Senior Notes which are to be fungible with outstanding Senior Notes must have an average maturity of 24 months or more and the maturity of the original Senior Notes must be 18 months or more. Lower Tier II Subordinated Notes must have a maturity of five years or more. Upper Tier II Subordinated Notes must have a maturity of 10 years or more. Tier III Subordinated Notes must have a maturity of two years or more.]*
9. Interest Basis: [● % Fixed Rate]
- [[specify reference rate] +/- [●] % Floating Rate]

- [Zero Coupon][Index Linked Interest]
 [Other (specify)]
 (further particulars specified below)
10. Redemption/Payment Basis : [Redemption at par]
 [Index Linked Redemption]
 [Dual Currency]
 [Partly Paid]
 [Instalment]
 [Other (specify)]
11. Change of Interest or Redemption/Payment Basis: [Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]
12. Put/Call Options: [Investor Put]
 [Issuer Call]
 ((further particulars specified below))
13. (i) Status of the Notes: [Senior/[Dated/Perpetual]/[Upper Tier II/Lower Tier II/Tier III] Subordinated]
 [(ii) Date [Board] approval for issuance of Notes obtained:] [] [and [], respectively]
- (N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)
14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable](If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate{(s)} of Interest: [] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] 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(s): [Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount{(s)}]
- (v) Day Count Fraction (Condition 5(j)): [30/360 / Actual/Actual (ICMA /ISDA) / other]
- (vi) Determination Dates (Condition 5(j)): [] 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 (ICMA))

- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
16. **Floating Rate Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Interest Period(s) []
- (ii) Specified Interest Payment Dates: []
- (iii) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (give details)]
- (iv) Additional Business Centre(s) (Condition 5(j)): []
- (v) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/ other (give details)]
- (vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]): []
- (vii) Screen Rate Determination (Condition 5(b)(iii)(B)):
- Reference Rate: []
 - Interest Determination Date(s): []
 - 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 Euro-zone]
 - 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 Period]
 - Specified Duration: [Specify period for quotation if not duration of Interest Period]

- (viii) ISDA Determination:
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (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) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
17. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) [Amortisation/Accrual] Yield (Condition 6(b)): [] per cent. per annum
 - (ii) Reference Price: []
 - (iii) Day Count Fraction (Condition 5(j)): []
 - (iv) (iii) Any other formula/basis of determining amount payable: []
18. **Index-Linked Interest Note/other variable-linked interest Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Index/Formula/other variable: [give or annex details]
 - (ii) Calculation Agent responsible for calculating the interest due: [insert name and address]
 - (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: []
 - (iv) Determination Date(s): []
 - (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: []
 - (vi) Interest or calculation period(s): []
 - (vii) Specified Interest Payment Dates: []

- (viii) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other (give details)]
- (ix) Additional Business Centre(s): []
- (x) Minimum Rate/Amount of Interest: [] per cent per annum
- (xi) Maximum Rate/Amount of Interest: [] per cent per annum
- (xii) Day Count Fraction (Condition 5(j)): []

19. 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: [insert name and address]
- (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

20. 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) of each Note and method, if any, of calculation of such amount(s): [] per Note of [] specified denomination
- (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: []
 - (b) Maximum Redemption Amount: []
- (iv) Option Exercise Date(s): []
- (v) Notice period []

21. 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) of each Note and method, if any, of calculation of such amount(s): [] per Note of [] specified denomination

(iii) Option Exercise Date(s): []

(iv) Notice period []

22. **Redemption for Taxation Reasons** [Applicable/Not Applicable]

23. **Final Redemption Amount of each Note** [At par/[] per Note of [] specified denomination other/see Appendix]

In cases where the Final Redemption Amount is Index-Linked or other variable-linked:

(i) Index/Formula/variable: [give or annex details]

(ii) Calculation Agent responsible for calculating the Final Redemption Amount: []

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

(iv) Determination Date(s): []

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

(vi) Payment Date: []

(vii) Minimum Final Redemption Amount: []

(viii) Maximum Final Redemption Amount: []

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/Not Applicable]

(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:
	(i) Temporary or permanent global Note/Certificate:	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice [Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] [Registered Notes]
	(ii) Applicable TEFRA exemption:	[C Rules/D Rules/Not Applicable]
26.	New Global Note Form:	[Applicable/Not Applicable]
27.	Financial Centre(s) 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 15 (ii), 16(iv) and 18(ix) relates]
28.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. If yes, give details]
29.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]:	[Not Applicable/give details]
30.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/give details]
31.	Other final terms:	[Not Applicable/give details](When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)
32.	Additional steps that may only be taken following approval by an Extraordinary Resolution in accordance with Condition 11(a):	[Not Applicable/give details]
33.	The aggregate principal 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/€[]]

DISTRIBUTION

34. (i) If syndicated, names and addresses of Managers and underwriting commitments: [Not Applicable/give names, addresses and underwriting commitments](*Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers.*)
- (ii) Date of [Subscription] Agreement: []
- (iii) Stabilising Manager(s) (if any): [Not Applicable/give name]
35. If non-syndicated, name and address of Dealer: [Not Applicable/give name and address]
36. Total commission and concession: [] per cent. of the Aggregate Nominal Amount
37. Additional selling restrictions: [Not Applicable/give details]

LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the Euro 6,000,000,000 Euro Medium Term Note Programme of Banca Italease S.p.A.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware no facts have been omitted which would render the reproduced inaccurate or misleading.

Signed on behalf of the Issuer:

By: _____

Duly authorised

PART B – OTHER INFORMATION

LISTING AND ADMISSION TO TRADING

- (i) Listing: [Luxembourg/other (*specify*)/None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [] with effect from [].]
[Not Applicable.]
- (Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)*

RATINGS

- Ratings: The Notes to be issued have been rated:
- [S & P: []]
- Moody's: []
- [[Other]: []]
- [Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]*
- (The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

[NOTIFICATION

The [*include name of competent authority in EEA home Member State*] [has been requested to provide/has provided - include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.]

[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

“Save as discussed in “Subscription and Sale”, so far as the Issuer is aware, no person involved in the issue/offer of the Notes has any interest, including conflicting ones, material to the offer.”

REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- [(i) Reasons for the offer []
- (See [“Use of Proceeds”] wording in Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)*

- [(ii) Estimated net proceeds [●]

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

[(iii)] Estimated total expenses:

●

[Include breakdown of expenses.]

(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)

[Fixed Rate Notes only – YIELD

Indication of yield:

●

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

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

[Floating Rate Notes only - HISTORIC INTEREST RATES

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

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

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident. Include a description of any market disruption or settlement disruption events that affect the underlying and the adjustment rules with relation to events concerning the underlying. [Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is a security, need to include the name of the issuer of the security and the ISIN or other security identification code. Where the underlying is an interest rate, need to include a description of the interest rate. Where the underlying is a basket of underlyings, need to include disclosure of the relevant weightings of each underlying in the basket.]

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

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

OPERATIONAL INFORMATION

ISIN Code: []

Common Code: []

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

FURTHER INFORMATION RELATING TO THE ISSUER

Objects:	[The objects of the Issuer, as set out in Article 4 of its by-laws, are as follows: 1. The object of the Issuer is the collection of savings mainly for medium and long term and the exercise in Italy and abroad of the credit activity mainly in the form of the leasing. The Issuer may carry out all permitted banking and financial transactions and services, in conformity with current law. For the purposes of the best carrying out of the corporate object, the Issuer may also execute any transaction connected or instrumental to the corporate object. 2. The Issuer may also acquire participations in Italy and abroad, in conformity with current law, and may also render services with reference to leasing agreements between third parties.]
Registered office:	[Via Cino del Duca 12, 20122, Milan, Italy.]
Company registration:	[Registered at the Companies' Registry of the Chamber of Commerce of Milan, Italy under registration no. 00846180156.]
Amount of paid-up share capital and reserves:	[Paid-up share capital: Euro [●], consisting of [●] ordinary shares with a nominal value of Euro [●] each.] [Reserves: Euro [●]]

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

INITIAL ISSUE OF NOTES

Bearer Notes will initially be in the form of either a temporary Global Note, without Coupons, or a permanent Global Note, without Coupons, in each case as specified in the relevant Final Terms. Each Global Note which is not intended to be issued in a new global note form (a “**Classic Global Note**” or “**CGN**”), as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (a “**New Global Note**” or “**NGN**”), as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006 the European Central Bank (the “**ECB**”) announced that Notes in NGN form are in compliance with the “Standards for the use of EU securities settlement systems in ESCB credit operations” of the central banking system for the euro (the “**Eurosystem**”), provided that certain other criteria are fulfilled (including denomination in euro and listing on an EU regulated market or on an ECB-approved non-regulated market). At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and the debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used (and if the above-mentioned other criteria are satisfied).

Upon the initial deposit of a Global Note with a common depository or common safekeeper (as the case may be) for Euroclear and Clearstream, Luxembourg 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 or common safekeeper (as the case may be) may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) 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 (the “**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 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 clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the 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.

TEFRA

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 Final Terms 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 Final Terms as a transaction to which TEFRA is not applicable.

EXCHANGE

1. Temporary Global Notes. Each temporary Global Note will be exchangeable, free of charge to the Holder, on or after its Exchange Date:
 - 1.1 if the relevant Final Terms indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable, in whole, but not in part, for the Definitive Notes defined and described below;
 - 1.2 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 Final Terms, for Definitive Notes;
 - 1.3 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.
2. 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 2.3 below, Registered Notes:
 - 2.1 by the Issuer giving notice to the Noteholders and the Fiscal Agent of its intention to effect such exchange;
 - 2.2 if the relevant Final Terms 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;
 - 2.3 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
 - 2.4 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.
3. Permanent Global Certificates. If the Final Terms states that the Notes are to be represented by a permanent Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

- 3.1 if the relevant 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
- 3.2 if principal in respect of any Notes is not paid when due; or
- 3.3 with the consent of the Issuer

provided that, in the case of the first transfer of part of a holding pursuant to 3.1 or 3.2 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.

4. 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 Final Terms) relating to Partly Paid Notes.
5. 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 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 aggregate 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 Base Prospectus, "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 Agency Agreement. On exchange in full of each permanent Global Note, the Issuer will, if the Holder so requests, procure that it is cancelled and returned to the Holder together with the relevant Definitive Notes.
6. 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 Base Prospectus. The following is a summary of certain of those provisions:

1. 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: (i) in respect of a CGN, endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes and (ii) in respect of an NGN, entered pro rata in the records of Euroclear and Clearstream, Luxembourg. Condition 7(e)(vii) and Condition 8(a)(v) will apply to the Definitive Notes only.

2. Prescription. Claims against the 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 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).
3. 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.)
4. 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.
5. Purchase. Notes represented by a permanent Global Note may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.
6. 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).
7. 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.
8. Events of Default. Each Global Note in respect of Senior Notes 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 nominal 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 Issuer under the terms of a Deed of Covenant executed as a deed by the Issuer on 1 December 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.

9. 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 (i) either in a newspaper of general circulation in Luxembourg (which is expected to be the Luxemburger Wort), or (ii) by publication on the website of the Luxembourg Stock Exchange at www.bourse.lu.

PARTLY PAID NOTES

The provisions relating to Partly Paid Notes are not set out in this Base Prospectus, but will be contained in the relevant Final Terms 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.

USE OF PROCEEDS

The net proceeds of the sale of the Notes will be used by the Issuer for general funding purposes, which include making a profit. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

BANCA ITALEASE S.p.A.

Overview

The Issuer's business focuses primarily on providing credit in the form of financial leasing, factoring and medium and long-term lending. It also offers, through the Issuer's subsidiaries, products and services which complement the provision of credit, such as insurance, instruments to hedge against interest rate risk, and the management of and, at the termination of leasing agreements, the placement in the market of, the assets and real property leased by the Issuer. The Banca Italease group of companies (the "**Group**") had over 986 employees as at 30 June 2006, Banca Italease has been listed on the Milan Stock Exchange since June 2005 and its major shareholders are predominantly Italian cooperative banks.

The Bank is the leading operator in the Italian leasing market with a market share of 15.9% as at 30 June 2006, moving to first position from third place in 2003 with a market share of 5.7% and second place in 2004 with a market share of 12.5% (Source: *Assilea*).

The Bank is directly present through its 27 offices which handle leasing arrangements, five branch offices and five commercial desks specialising in factoring services, and also operates through branches of other banks, approximately 4,900 of which sell leasing products and approximately 8,200 of which sell factoring services.

In 2005 Banca Italease recorded consolidated net income of €93.5 million, representing an increase of 62% compared to the previous year's consolidated net income of €57.7 million (unaudited pro-forma and including IAS 32 and IAS 39). Its consolidated return on equity was 17.6% in 2005. These results reduced the Bank's operating costs as a proportion of its interest margin to 32.8% in 2005 from 38.9% in 2004. The average amount of capital invested in leasing transactions rose by 31% in 2005 to €8,712 million, as compared to €6,648 million in 2004. Including mortgages, which Banca Italease began providing in 2004, and factoring, which Banca Italease began providing in 2005, the total average amount of capital invested in 2005 was €10,588 million. In connection with the growth in its business, it was able to maintain the quality of credit within its portfolio, which despite increases in volume remained relatively unchanged as compared to prior years.

Competitive Strengths

The Group's competitive-strengths arise from the following distinctive features:

- access to a multi-channel, widespread distribution network that maximises its ability to cover the whole of Italy, and strengthens its bargaining power *vis-à-vis* its various distribution channels and individual intermediaries (such as individual banks with whom the Group has agreements in place or individual agents);
- a business model that positions the Group among those best placed to exploit the development potential of the Italian leasing market;
- the agreement with Poste Italiane, recently renewed, for the distribution of leasing, mortgage and insurance products, which potentially may be extended also to cover factoring products;
- the offering of a broad range of products (leasing, factoring, medium/long term lending, and complementary products), which allows the Bank to capitalise on:
 - the profitability of existing and potential customers, by optimising the cost of servicing such customers;
 - the ability to attract new distribution channels and to encourage the loyalty of existing distribution channels; and
 - the loyalty of existing customers, and the development of policies to increase the products and services offered to such customers, through the ability to satisfy a variety of their needs (including medium-term and long-term financing and hedging against risks);

- attention to risk, through careful monitoring of the timeliness of the clients' payments and prudent management of lending and financial policies;
- development of market sectors experiencing high growth, such as:
 - remarketing through Italease Gestione Beni S.p.A. ("Italease Gestione Beni"), which allows the Bank to obtain income from the recovery and resale of assets from previous leasing transactions, and resales of assets acquired from companies outside the Group; and
 - renting, so as to offer a broad and complete range of products capable of addressing all customers' requirements;
- ability to provide alternative forms of financing (leasing and factoring) which banks may seek in order to diversify their portfolios, as required following the adoption of Basel II principles; and
- opportunities to develop transactions in collaboration with the Group's small-sized and medium-sized "partner banks", banks with whom the Bank has distribution agreements in place, with regard to medium-term and long-term financing.

Strategy

The Bank intends to strengthen and consolidate its position in the finance leasing and factoring markets, in terms of both market share and profitability, through the following policies:

- strengthening and consolidating its multi-channel, multi-product distribution model by:
 - maximising volumes per channel and product penetration for each distribution channel;
 - integrating the leasing network of Banca Popolare Italiana S.c.a.r.l. ("BPI") and bringing it into line with the Group following the recent acquisition of Bipielle Leasing S.p.A. ("Bipielle Leasing");
 - pursuing new marketing and other commercial agreements with other banks;
- developing and diversifying its offering of products and services through, *inter alia*, partnerships and commercial agreements, and in particular by:
 - entering into new strategic partnerships to broaden the potential client base, such as the commercial agreement with Michelin, Marcegaglia Building and Prestitempo (Deutsche Bank's consumer credit division in Italy);
 - developing a new business: residential mortgages;
 - increasing complementary product penetration; and
 - increasing the supply of its products "Leasing Secondacasa" and "Leasing Protection" (see "Complementary Services—Insurance and Interest Rate Swaps");
- improving its operating efficiency and, in particular:
 - re-engineering the production process; and
 - workflow management;
- focusing on risk management and capital allocation and, in particular:
 - implementation of the Basel II criteria in order to exploit efficient capital allocation; and
 - re-engineering the credit recovery process.

History and Organisation of the Group

The Issuer was incorporated on 13 December 1968, under the name Società Italiana Popolare per il Leasing — Italease S.p.A., by its initial shareholders, 52 Italian cooperative banks, that wanted to enter in the then emerging market for financial leasing products. The company's offices were initially located in

Milan, within the Central Institute for Cooperative Banks (*Istituto Centrale per le Banche Popolari*). The duration of the Issuer is until 31 December 2050.

In the 1970s and 1980s, Banca Italease's leasing business steadily developed with the support of its shareholder cooperative banks and its partner banks, which were other institutional lenders with whom it had commercial agreements for the distribution of its products and services. Over time, in part as a result of training and information it provided, these institutions developed knowledge and capability within the finance lease sector, created dedicated offices within their organization and in some cases included financial leasing within their budgetary objectives. The development of financial leasing within the Italian lending market led to the growth of its business. As at 31 December 2004, the Issuer handled 91,879 financial lease agreements, for an aggregate amount of €7.0 billion.

Banca Italease was included in the register of financial intermediaries held at the Italian Exchange Office (*Ufficio Italiano Cambi*) on 16 January 1992, and classified as a non-bank financial entity (registered pursuant to article 107 of the Consolidated Banking Law) on 5 April 1994. On 6 July 1995, it received authorization from the Bank of Italy to conduct banking business and on 8 September 1995, under the name Banca Centrale per il Leasing delle Banche Popolari — Italease S.p.A., it was enrolled in the Italian register of banks. On 10 November 1995, the Bank of Italy registered the Issuer as a bank and as the holding company for the group comprising Istituto Triveneto del Leasing S.p.A. and San Geminiano e San Prospero Leasing S.p.A., with which it subsequently merged, under number 3026.2. Its registered office is at Via Cino del Duca 12, 20122, Milan, Italy (+39 02 77651) and it is registered with the Milan Commercial Registry under number 00846180156.

Although the Bank obtained authorization to conduct business in banking, it continued principally to finance public and private sector entities through finance leases. It gradually added other typical banking products and services as part of a multi-product strategy.

In 1997, Banca Italease formed a new subsidiary Essegibi S.p.A. Essegibi was renamed Italease Gestione Beni S.p.A. in May 2005. The Issuer currently hold 95.0% of Italease Gestione Beni's share capital and 5.0% is held by Centro Leasing S.p.A. Italease Gestione Beni's business is closely related to the Issuer's leasing operations, and includes the sale, purchase, rental and management of the assets and real property which are the subject of its finance lease arrangements. Its operations are conducted predominantly for group companies, but also for shareholder banks and other partner banks. Italease Gestione Beni holds all of the share capital of Essegibi Promozioni Immobiliari S.r.l., which provides real estate services.

In 1999 the Issuer formed Focus Leasing.it (today named Italease Network), which has the legal status of a non-bank financial entity (registered pursuant to article 107 of the Consolidated Banking Law). Focus Leasing.it specialises in finance and operating leases for assets and operates in partnership with the producers and distributors of machines and equipment for industry and other professionals.

In 2000, it entered into a joint venture with Andersen Consulting S.p.A. (now Accenture S.p.A.) to form Itaca Service. Banca Italease has owned 100% of Itaca Service since 2003. Itaca Service provides information technology services to the Issuer and to other financial intermediaries (services include outsourcing of IT services, internal control systems, regulatory compliance and credit monitoring).

On 14 July 2000, the Issuer formed Essegibi Promozioni Immobiliari S.r.l. to provide real estate agency services, in particular to companies within the Group.

In 2001, the Bank also incorporated Renting Italease, in which GE Capital Service S.r.l. acquired a 50.0% equity interest. The company, based in Rome, provides long-term rentals of motor vehicles. Banca Italease is primarily responsible for the commercial development of Renting Italease.

During 2001, the Issuer won bids and was appointed the agent bank for investment projects for the Ministry of Production. As such, it prepares and handles applications for government sponsored low cost loans for the commerce and tourism sectors, and to promote women in business, as well as applications for loans from the fund for technological innovation, and grants available under legislation on scientific research, operations in which it has been involved since 1999.

In December 2002, the Bank acquired 70.0% of the share capital of Italease Finance from two Dutch entities. The remaining 30% of share capital is held by Finance International Securitization Group S.p.A. Italease Finance, which has its registered office in Milan, is used as a vehicle for securitising the Bank's accounts receivables.

On 28 July 2004, Banca Italease acquired 91.0% of Mercantile Leasing S.p.A. from Fondiaria SAI S.p.A. and 9.0% from Milano Assicurazioni S.p.A. for an aggregate purchase price of €121.0 million (equal to €2.21 per share), effective as of 1 April 2004. Mercantile Leasing, which has its registered office in Florence, was incorporated in 1981 as the finance leasing company of Banca Mercantile and is classified as a non-bank financial entity (registered pursuant to article 107 of the Consolidated Banking Law). It provides finance leasing services, in particular for leasing ships, through its branches in Bologna, Padua, Milan, Turin, Florence, Rome, Catania and Bari. Mercantile Leasing holds minority shareholdings in Banca Alpi Marittime Credito Cooperativo di Carrù S.c.a r.l. and in Mercantile Finance S.r.l.

On 3 November 2004, and effective as of 1 January 2004, the Bank purchased a 75.0% majority shareholding in Unico Leasing, from Unico La Farmacia dei Farmacisti S.p.A. and CIF — Compagnia Immobiliare Finanziaria S.p.A. for a purchase price of €1.05 million. The remaining 25.0% of the share capital is held by Unico La Farmacia dei Farmacisti S.p.A. Unico Leasing, which on 19 December 2001 joined the general list under article 106 of the Consolidated Banking Law thereunder, principally conducts business in the leasing sector, mainly with pharmacists, partly as a result of commercial arrangements in place with Unico La Farmacia dei Farmacisti S.p.A., one of the major pharmaceutical distributors in Italy.

On 17 December 2004, Italease Gestione Beni signed a letter of intent with Reale Mutua Assicurazioni for the acquisition of the entire share capital of ISE — Istituto per lo Sviluppo Economico. ISE — Istituto per lo Sviluppo Economico is active in the purchasing and management of non-performing real estate loans, principally those of Reale Mutua. The effectiveness of the letter of intent is subject to regulatory approval. Banca Italease, as parent company of the Group, applied on 14 January 2005 to the Bank of Italy for the prior authorisation of the acquisition on behalf of Italease Gestione Beni for €18.0 million. In addition, on 18 January 2005, the Issuer applied for the prior authorisation of the creation of a company named “Essegibi Real Estate S.r.l.”, to which the real property business of Italease Gestione Beni was to be transferred, with the purpose of managing such real estate portfolio. As at the date hereof, the Bank of Italy has not yet granted the requested authorisation.

On 11 February 2005, consistent with the Bank's multi-product strategy, its board of directors approved a plan of merger with Factorit S.p.A. (“**Factorit**”), an Italian company operating in the factoring market. The agreement also provided for the simultaneous transfer of the merged company's factoring operations into a wholly-owned, newly formed subsidiary, now known as Italease Factorit. The plan of merger was approved by its shareholders, the Bank of Italy and the Italian Antitrust Authority (*Autorità Garante della Concorrenza e del Mercato*) and became legally effective on 6 May 2005. For accounting and tax purposes, the merger became effective as of 1 January 2005. Factorit was ranked third in the Italian market based on turnover volumes of €12,834 million for the year ended 31 December 2005. Over the last three years Factorit has steadily increased its market share, from 9.1% in 2003, to 10.9% in 2004, to 12.7% in 2005 and 14.3% as at 30 June 2006. (Source: *Assifact*)

At the time of the Issuer's merger with Factorit, it also acquired Compagnia Telematica S.r.l., its wholly-owned subsidiary, a company originally incorporated in 1993. Compagnia Telematica designs and manages software, IT applications and utility programmes, and supplies electronic data processing, and IT consultancy services for companies inside and outside the group. Today Compagnia Telematica is wholly owned by the Issuer and it will be merged into Itaca Service. The merger will be legally effective on 30 September 2005, with accounting and tax effect from 1 January 2005.

On 4 April 2005, the extraordinary shareholders' meeting of Focus Leasing S.p.A. resolved to change its official name to “Italease Network S.p.A.” and on 4 May 2005, the extraordinary shareholders' meeting of Essegibi resolved to change its name to “Italease Gestione Beni S.p.A.”. On 11 April 2005, the Bank's shareholders voted to officially start using the name “Banca Italease S.p.A.”, the shortened name which was already used in business dealings.

On 14 June 2005 the Issuer's shares were admitted to listing on the “*Mercato Telematico Azionario*” (MTA) of the Italian Stock Exchange. The listing process (the “**Listing**”) was carried out

following an increase of the Issuer's share capital (with exclusion of the pre-emption rights to the current shareholders) and a sale of the shares by certain of its current shareholders and accompanied by an offering of shares to the public in Italy and to institutional investors elsewhere, excluding the US, Canada, Australia and Japan.

In October 2005, the Bank acquired 100% of Essegibi Service S.p.A. (formerly I.S.E. S.p.A.) from Reale Mutua Assicurazioni. Essegibi Service S.p.A. operates in credit management, mostly servicing the Group.

On 13 March 2006, the Bank and Poste Italiane S.p.A. renewed their commercial agreement for a further three years, extending the range of products offered under the agreement to mortgages and insurance products.

On 19 September 2005, the Issuer's shares were transferred from the segment standard 1 to the Blue Chip segment of the MTA and included in the Shares Basket of the MIDEX Index.

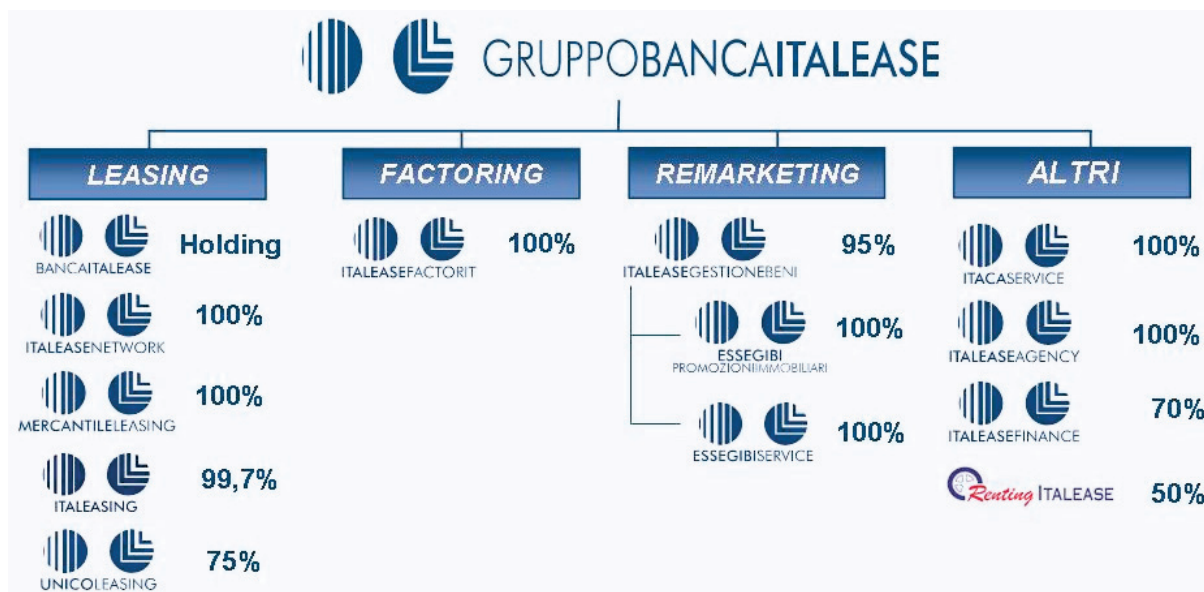
On 18 May 2006, the Issuer launched the offering of Tier I Preferred Securities for a total amount of Euro 150 million. The Securities issued by Banca Italease Capital Trust are perpetual and may be redeemed by the Issuer after 10 years. The securities yield interest at a rate of 1.3%+3M Euribor; the securities have been listed at the Luxembourg Stock Exchange on 6 June 2006 and have been assigned on issue a rating of "Bba2" by Moody's Investors Services Limited and a rating of "Bbb+" by Fitch Ratings Limited.

On 6 June 2006, the Issuer acquired 99.74 percent of the Share capital of Bipielle Leasing S.p.A., from Bipielle Investimenti S.p.A. for a total price of Euro 51 million. This acquisition has also triggered the activation of three year agreements between the Issuer and Banca Popolare Italiana and Reti Bancarie which cover the exclusive referral to the Banca Italease Group of all financial leasing business sourced through Banca Popolare Italiana and Reti Bancarie group Italian Network.

On 28 July 2006, the Issuer, Leasimpresa S.p.A. ("**Leasimpresa**") and Banco Popolare di Verona e Novara (BPVN) reached an agreement about the essential terms for Leasimpresa's merger by incorporation into the Issuer. The transaction, to be approved by the general meeting of the Issuer and Leasimpresa, will also provide that BPVN Group will refer exclusively all financial leasing business sourced through its network to Banca Italease for a period of three years, starting from the effective date of the merger.

On 28 July 2006, the Board of Directors of the Issuer approved an increase of the share capital for an amount of Euro 300 million to be offered in option to the shareholders, and to the convertible bondholders.

The following corporate structure chart presents the Group's corporate structure as at today's date.



As at the date of this Prospectus, the rating assigned to the Bank by Moody's Investors Services is A3 for its long term debt, Prime 2 for short-term debt and C- for its financial solidity, with a stable outlook. The rating assigned to the Bank by Fitch Ratings Limited for its long term debt is A- with a stable outlook, F2 for short-term debt and C for its financial solidity in reference to ratings assigned to banks without external support and 2 for its financial solidity in reference to ratings assigned to banks with external support.

Description of the Issuer's Business

The Issuer's business was created and developed principally to provide financial leasing arrangements to businesses and public entities. It currently also provides leasing arrangements to private individuals. Its merger with Factorit has allowed it to broaden its business to include factoring, further developing its multi-product, integrated product and services offerings in order to remain competitive within the credit market. In addition to the financial lease and factoring activities mentioned above, it offers a range of other typical banking products, such as medium- and long-term lending and residential mortgages.

Today the portfolio of products and services offered by the Banca Italease group includes:

- leasing products and services for finance and operating leases;
- factoring products and services;
- medium- and long-term financing;
- residential mortgages;
- complementary insurance services and protection against interest rate risk, associated with leasing and medium- and long-term financing, as well as the Issuer's activity as agent bank for various government subsidised programs;
- long-term motor vehicle renting; and
- management and remarketing services, for real estate and other assets.

The following tables set forth the contributions made by the Group's most important business lines to income before tax for the years ended 31 December 2005 and 2004, prepared in accordance with IAS 14 (*Reporting Financial Information by Segment*).

	Year ended 31 December 2005				
	Leasing	Factoring	Other	Consolidation	Consolidated
				Differences ^(*)	
			(Unaudited) (€ thousands)		
Total income	226,826	48,945	39,195	(3,075)	311,891
including:					
- External revenues	431,663	49,626	(169,582)	(183)	311,708
- Internal revenues	(204,837)	(681)	208,594	(3,075)	-
- Income from equity investments	-	-	183	-	183
Valuation adjustments/recoveries	(50,148)	(6,027)	(2,043)	-	(58,218)
Operating expenses	(65,820)	(15,553)	(24,466)	3,121	(102,718)
including:					
- Depreciation/amortisation	(3,080)	(319)	(3,934)	(284)	(7,618)
- Other non-monetary items	-	(335)	-	(192)	(527)
Other income (expenses)	(964)	57	9,760	(46)	8,808
Income before taxes	109,894	27,423	22,446	-	159,763
% of Total	68.8%	17.2%	14.0%	-	100.0%

(*) Includes all infrasector revenues, expenses, assets and liabilities not evidenced in the consolidated financial statements and reclassification differences

	Year ended 31 December 2004				
	Leasing	Factoring	Other	Consolidation	Consolidated
				Differences ^(*)	
			(Unaudited) (€ thousands)		
Total income	149,442	39,669	30,869	(2,667)	217,313
including:					
- External revenues	308,081	39,631	(130,441)	38	217,271
- Internal revenues	(158,639)	-	161,306	(2,667)	-
- Income from equity investments	-	38	4,247	-	42
Valuation adjustments/recoveries ..	(29,688)	(8,657)	(500)	-	(38,845)
Operating expenses	(47,667)	(18,300)	(21,224)	2,667	(84,524)
including:					
- Depreciation/amortization	(2,411)	(728)	(4,441)	(830)	(8,410)
- Other non-monetary items	-	(5,250)	-	-	(5,250)
Other income (expenses)	(1,902)	129	7,328	-	5,555
Income before taxes	70,185	12,841	16,474	-	99,500
% of Total	70.5%	12.9%	16.6%	-	100.0%

(*) Includes all infrasector revenues, expenses, assets and liabilities not evidenced in the consolidated financial statements and reclassification differences

Products and Services

Leasing products and services

The Bank's principal business is leasing, a form of financing arrangement made available under a number of different contractual structures based on the particular characteristics and requirements of the individual customer, whether a business or a private individual.

Banca Italease is able to offer its customers a full range of leasing options available on the market, both in the form of finance leases (under which the lessee has an option to purchase the asset at the conclusion of the lease term) and operating leases (where there is no such purchase option). The agreements and services it offers may be divided into a few broad categories based on industry classifications of the type of asset leased, whether it be real property or other assets, which are sub-divided into: (i) capital goods; (ii) motor vehicles; or (iii) aircraft, sea vessels and railway vehicles. The Group does not currently operate in the railway leasing sector. Finance lease agreements are characterised by the customer's ability to choose the asset to be used and its supplier. While the asset remains the Issuer's property, maintenance of the asset rests with the customer, who at the end of the agreement may exercise an option to acquire the asset upon payment of an additional, pre-arranged amount. Operating lease arrangements are intended for customers who are not interested in acquiring title to the asset at the end of the agreement. Such agreements most often regard assets which by their very nature are rapidly replaced within the market by other, more technologically advanced goods (for example, electronic medical equipment, personal computers, servers and the like). To avoid assuming the risk upon completion of the operating lease term of lost asset value, the Issuer either agrees in advance to the return of the asset to the original supplier or ensure that the residual value of the asset is included in the lease payments. In operating lease arrangements the customer may also elect a number of additional services regarding the leased goods, such as maintenance, appraisal, and asset replacement services.

The Issuer also provides subsidised leasing transactions to a variety of qualifying businesses. These transactions enjoy preferential terms under European Community, national, regional, provincial or municipal law and in public leasing transactions where the lessee is a governmental body.

The following table sets forth the volume of income bearing leasing agreements entered into by the group during the three financial years ended 31 December 2002, 2003 and 2004, subdivided by geographical area and lease type.

	Real Property			Goods			Vehicles			Aircraft and Sea Vessels			Total		
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
	(€ millions)			(€ millions)			(€ millions)			(€ millions)			(€ millions)		
Northwest Italy	330	876	1,699	346	456	502	91	93	118	7	79	86	774	1,503	2,405
% of Total	46.7%	52.8%	45.5%	45.5%	43.4%	40.9%	40.3%	34.3%	32.0%	30.6%	28.1%	23.25%	45.1%	46.1%	41.9%
Northeast Italy	131	107	145	120	136	138	42	39	39	6	12	8	299	294	329
% of Total	18.5%	6.4%	3.8%	15.8%	13.0%	11.2%	18.5%	14.5%	10.6%	27.8%	4.1%	2.2%	17.4%	9.0%	5.7%
Central-North	109	312	109	140	242	157	48	90	41	4	149	22	301	794	329
% of Total	15.5%	18.8%	2.9%	18.3%	23.1%	12.8%	21.4%	33.5%	11.2%	15.9%	53.0%	6.0%	17.5%	24.3%	5.7%
Central Italy	66	227	1,648	72	103	278	19	12	107	1	27	235	158	370	2,268
% of Total	9.4%	13.7%	43.7%	9.4%	9.9%	22.6%	8.4%	4.5%	29.1%	6.1%	9.7%	63.5%	9.2%	11.3%	39.5%
South Italy and Italian Islands	70	139	172	83	111	154	25	35	63	5	14	19	183	300	408
% of Total	9.9%	8.4%	4.6%	10.9%	10.6%	12.5%	11.3%	13.1%	17.2%	19.7%	5.1%	5.1%	10.7%	9.2%	7.1%
Foreign	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
% of Total	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	706	1,660	3,773	761	1,049	1,228	225	270	369	23	282	370	1,715	3,260	5,739
% of Total	41.2%	50.9%	65.7%	44.4%	32.2%	21.4%	13.1%	8.3%	6.4%	1.3%	8.6%	6.4%	-	-	-

Source: Management accounts.

The volume of new lease agreements has increased significantly in 2005 in North-west and Central Italy. In terms of lease type, Real Property and Aircraft and Sea Vessels registered the strongest growth in 2005. Particularly in relation to Aircraft and Sea Vessels, the growth in 2004 was due to the acquisition of Mercantile Leasing, a company highly specialised in the leisure boat sector.

The following table sets forth the average values of existing leasing agreements of the Group in the financial years ended 31 December 2002, 2003 and 2004, subdivided by geographic area and lease type. The average values have been calculated utilising month-end balances of average capital invested.

	Real Property			Goods			Vehicles			Aircraft and Sea Vessels			Total		
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
	(€ millions)			(€ millions)			(€ millions)			(€ millions)			(€ millions)		
Northwest Italy	1,177.3	1,595.6	2,520.7	1,150.3	1,158.7	1,157.2	86.3	161.6	117.2	41.0	81.7	114.7	2,455.0	2,997.6	3,909.7
% of Total	45.3%	47.9%	47.5%	44.7%	44.0%	42.7%	43.7%	36.8%	39.2%	37.2%	33.4%	29.3%	44.8%	45.1%	44.9%
Northeast Italy	792.6	743.8	729.8	531.2	457.1	393.3	41.4	75.8	49.5	36.7	46.8	45.9	1,402.0	1,323.5	1,218.4
% of Total	30.5%	22.3%	13.7%	20.7%	17.4%	14.5%	21.0%	17.2%	16.5%	33.3%	19.1%	11.7%	25.6%	19.9%	14.0%
Central-North	387.5	586.2	1,030.6	504.4	596.3	646.3	44.1	142.7	79.4	29.7	100.8	185.7	965.6	1,426.0	1,942.0
% of Total	14.9%	17.6%	19.4%	19.6%	22.6%	23.8%	22.4%	32.4%	26.5%	26.9%	41.2%	47.4%	17.6%	21.5%	22.3%
Central Italy	152.2	223.9	731.2	180.0	189.0	224.1	12.1	14.2	21.8	0.8	4.4	27.2	345.1	431.5	1,004.4
% of Total	5.9%	6.7%	13.8%	7.0%	7.2%	8.3%	6.1%	3.2%	7.3%	0.7%	1.8%	7.0%	6.3%	6.5%	11.5%
South Italy and Italian Islands	88.7	179.9	297	205.0	232.5	290.2	13.4	45.5	31.3	2.0	11.1	18.4	309.2	469.0	637.5
% of Total	3.4%	5.4%	5.6%	8.0%	8.8%	10.7%	6.8%	10.3%	10.4%	1.8%	4.5%	4.7%	5.6%	7.1%	7.3%
Foreign	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
% of Total	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	2,598.3	3,329.5	5,309.9	2,570.9	2,633.6	2,711.1	197.4	439.8	299.2	110.2	244.8	391.9	5,476.8	6,647.6	8,712.1
% on Total	47.4%	50.1%	60.95%	46.9%	39.6%	31.12%	3.6%	6.6%	3.43%	2.0%	3.7%	4.50%	-	-	-

Source: Management accounts.

The volume of existing agreements was relatively stable in Northern Italy with a significant increase in the real property sector in line with general market trends. The volume of existing agreements developed significantly in the Central-North and Southern Italy and the islands. In addition, aircraft, sea vessel and railway lease agreements increased substantially in 2004 as a result of the acquisition of Mercantile Leasing.

Leasing of real property

Leasing of real property is a contractual arrangement used to finance the purchase of real estate or industrial and/or commercial premises — which may include premises under construction — offered to businesses, artisans or self-employed individuals.

The amount that may be made available under a real property leasing arrangement depends on the valuation given to the proposed investment and the Issuer's assessment of the financial position of the customer. The minimum term of such an agreement is 96 months, with lease payments that may be fixed or variable, while the down payment that may be required from the customer at the date of execution of the contract may be up to 15.0% of the investment's value.

An appraisal of the property is conducted beforehand, so that the Issuer may assess the suitability of the price and the property's compliance with applicable planning laws and regulations. The customer is also obliged to enter into an all-risks insurance policy covering the property, where the property has already been built, or a construction all-risks policy where the premises are under construction.

For the financial year ended 31 December 2005, real property leasing transactions worth €3,773.1 million were entered into compared to €660.1 million of transactions concluded in the previous financial year, and €706.5 million of transactions in 2003. Real property leasing comprised 65.7% of all leasing transactions, by volume, for the financial year ended 31 December 2005.

Leasing of capital assets

Leasing of capital assets is a financing arrangement made available to businesses, artisans and self-employed individuals for the development of their business.

Capital assets leased under these agreements include plants and equipment, fork-lifts, printing presses, construction equipment, lathes and information technology systems. The Issuer offers leasing agreements tailored to the specific characteristics of the relevant business activity. The leasing of capital assets may involve financing the purchase of goods made to the lessee's order, new assets or — following

an appraisal — used assets. Normally these leases have a term of between 30 and 60 months, and the lease payments may be for a fixed or variable amount. The standard agreement requires the customer to pay a portion of the asset's cost in advance (in a percentage that varies but may be up to 30.0% of the asset's value) while the option for the asset's purchase is generally exercisable at 0.5% to 5.0% of the asset's value. The customer is also obliged to take out an all-risks insurance policy.

The Issuer also offers another form of leasing aimed at private customers and called "Tiarredo", which finances the purchase of new household furnishings and appliances (kitchens, sofas, soft furnishings, ovens, refrigerators, freezers, dishwashers, stoves, washing machines, televisions and stereo equipment). The agreements are for terms of between 18 and 72 months, with no down-payment and with a final purchase option generally at 0.5% of the value of the asset due upon execution of the contract of sale. This particular form of finance lease is currently offered only to holders or joint holders of mortgages in amounts of not less than €60,000 and which have an outstanding term of at least 12 months (regardless of the duration of the leasing agreement) and which were granted by one of Banca Italease's partner banks. The Bank anticipates expanding the scope of this product to add new features to respond to particular customer needs. The Group recently began offering the "Ti Arredo Arte" product, which allows private individuals to finance purchases of works of art or antiques.

For the year ended 31 December 2005, capital asset leasing transactions worth €1,227.9 million were entered into compared to €1,048.6 million of transactions concluded in the previous financial year, and €761.1 million of transactions in 2003. Leasing transactions of this type comprised 36.4% of all leasing transactions, by volume, for the financial year ended 31 December 2005.

Motor vehicle and motorcycle leasing

The Issuer offers businesses, artisans and self-employed individuals leasing arrangements for the acquisition of assets such as motor vehicles, motorcycles, campers and commercial vehicles. The lease term is typically between 24 and 48 months, with a minimum of 30 months for commercial vehicles, while the lease payment may be at a fixed or variable rate. Transactions over a longer period may be considered at the customer's request, as may those that provide for a higher surrender value, depending on the kind of asset required. The customer must take out a compulsory third-party insurance policy and coverage against fire and theft.

Banca Italease also offers a similar product, marketed under the name "Tiguido", to private individuals for the purchase of motor vehicles, commercial vehicles, campers and motorcycles. The terms of the agreement are similar to those described above: a lease term of between 24 and 48 months, with a fixed or variable lease payment. The value of the final purchase option, generally 1.0% of the vehicle's original cost, may vary depending on the make and model of the vehicle being acquired. Personalised financing arrangements may be agreed to based on the customer's income. In addition to compulsory third-party insurance coverage, insurance against fire and theft is required, which the customers themselves arrange.

For the financial year ended 31 December 2005, vehicle leasing transactions worth €368.6 million were entered into compared to €269.8 million for transactions concluded in the previous financial year, and €224.7 million in the financial year ended December 31, 2003. Vehicle leasing transactions comprised 6.4% of all leasing transactions, by volume, for the financial year ended 31 December 2005.

Leasing of aircraft, sea vessels and railway vehicles

Since its acquisition of Mercantile Leasing in 2004, Banca Italease strengthened the range of ship leasing products it offers. Leases for pleasure crafts are marketed under the name "Tivaro". The Bank has also extended its business into the commercial shipping sector and, through Mercantile Leasing, are able to offer financing for used sea vessels. Ship leasing agreements do not have a fixed minimum period, however the average lease term is for 36 months.

For the year ended 31 December 2005, transactions for the leasing of aircraft, sea vessels and railway vehicles worth €369.7 million were entered into compared to €• million for transactions concluded in the previous financial year, and €3.0 million for transactions in 2003. This comprised 6.4% of all leasing transactions, by volume, in the financial year ended 31 December 2005.

Leasing to the public sector

As a result of external demands for independent and diversified financing, in 2004 the Issuer extended its financial and operating lease business to the public sector, comprising state and local authorities (municipalities, provinces and regions), health authorities, publicly-controlled companies, and other public bodies such as universities, exhibition centres, port authorities, and social services. Leases are of both real property and other assets, such as vehicles (buses, school buses, disabled transportation, airport transportation, railway and tram rolling stock, or vehicles for the collection and treatment of solid urban waste), energy-saving devices, electronic medical equipment and information technology equipment (hardware, staff entry systems, telephone switchboards).

Leasing is particularly useful to governmental entities in that it allows them access to new financial resources and enables them to obtain, through a single procedure, complementary insurance coverage and accessories, in addition to the item being leased. In 2005, the second year Banca Italease offered leases to the public sector, the volume of leasing transactions amounted to €21.0 million.

Leasing under preferential terms

Subsidised leasing allows businesses to enjoy public subsidies offered under European Community, national, regional, provincial or municipal laws in support of certain approved categories of investment. The Issuer is among one of the few operators in the leasing market which is authorised to offer its customers assistance in obtaining public contributions available for investments. Banca Italease researches the application of various laws under which investment subsidies are made available and coordinate the procedures for obtaining the public subsidy, including preparing necessary documentation and making application to the appropriate public body.

Once approval is obtained, the Issuer provides the contribution to the customer in the form of periodic bank transfers, or through a reduction in the lease payment equal to the amount of the benefit obtained. For its services, it receives increased contractual fees from its clients at the outset of the lease term.

For the year ended 31 December 2005, subsidised leasing transactions worth €169.3 million commenced compared to €168.2 million for transactions commenced in 2004 and €166.4 million of transactions commenced in the financial year ended 31 December 2003. Subsidised leasing accounted for 2.9% of all leasing transactions commenced in 2005.

Banca Italease as agent bank for the Ministry for Economic Development

In line with the policy of a number of Italian ministries to decentralise administrative and technical matters connected with the review of applications for subsidies, in 2001 Banca Italease was appointed as an agent bank (“banca concessionaria”) for the management of investment projects submitted by businesses under national legislation. In particular, it has, as the lead agent bank of a number of banks forming a joint venture, finalised an agreement with the Italian Ministry for Economic Development to set out review procedures and terms for the provision of special facilities carried out under Italian Law No. 488/1992 (Subsidies for Production Within Deprived Areas) and the associated training programme, as well as under Italian Law No. 215/1992 (Subsidies to Promote Women in Business). It also participates in the joint venture led by Centrobanca — SF S.p.A. for granting subsidies provided under Italian Law No. 46/1982 (the Technological Innovation Fund) and the associated innovation programme (which allows business to obtain financial subsidies for initiatives related to a programme for “pre-competitive development”).

Banca Italease has also entered into an agreement with the Ministry for Universities and Research regarding the review and management of scientific research projects.

Finally, as lead agent bank for a joint venture group, it has entered into an agreement with the Region of Sicily to handle applications for financial assistance pursuant to Italian Law No. 215/1992, which provides subsidies to promote women in business, and an agreement with the Region of Apulia for the review, management, monitoring and provision of assistance in connection with the Apulia Region

Operating Programme for 2000 to 2006 (assistance to industry, support for competitiveness, business innovation and assistance within the tourist industry as well as trade assistance).

As an agent bank the Bank is responsible for effecting all initial assessments, reviews and technical, financial and economic appraisals necessary to process the application for procuring such subsidies, as well as the management of the contributions. The public bodies that provide the funding pay Banca Italease a fee for its services, calculated as a percentage of the total cost of the financed project, or in cases where a project is not approved, based on the work it performed.

For the year ended 31 December 2005, commissions for €600,000 accrued, €512,000 of which was in relation to work performed directly by the Bank. It handled 35 applications and a further 1,021 were originated by other banks within the joint venture group. For the year ended 31 December 2004, commissions for approximately €658,000 accrued, of which approximately €534,759 was in relation to work performed directly by it.

Factoring products and services

The merger with Factorit in 2005 extended the Issuer's business into factoring, which is conducted through its subsidiary, Italease Factorit.

In general terms, under a factoring agreement, the factor provides its customers with a series of services (typically including accounting, administration, collection, solicitation, and debt recovery) connected with the management of the customers' account receivables. In addition, the factor normally advances funds to the customer ahead of the date of collection of the account receivables, in an amount agreed from time to time, thereby functionally providing financing to the customer. The customer assigns the factor all or a significant part of the receivables that have arisen, or will arise in the future, from one or more of its trading partners. Factoring arrangements allow the customer to obtain services, liquidity and security with regard to the receivables it has assigned. Often these arrangements are of a recurrent nature, with receivables being assigned to the factor on a regularly scheduled basis.

Under a factoring transaction, the receivables may be assigned with recourse against the assignor ("with recourse"), where the risk that the debtor fails to pay remains entirely with the assignor, the factor's customer. If the amount is not paid when due, the assignor is obliged to repay any sums it has received from the factor as an advance against the collection of the relevant receivable. Receivables may also be assigned without recourse ("without recourse" or "non-recourse"), in which case if the receivable is not paid by the debtor, the factor, upon the fulfilment of certain contractual conditions and subject to agreed warranties, will proceed with payment of the assigned receivable and may not claim the repayment of any amounts it may have advanced to the assignor.

The following table sets forth a description of turnover (in terms of receivables assigned) by Italease Factorit (and, prior to the May 2005 merger, Factorit) for the three financial years ended 31 December 2005, subdivided by geographical area and the category of factoring transaction.

	With Recourse			Non-Recourse			Total		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
	(Unaudited) (€ millions)			(Unaudited) (€ millions)			(Unaudited) (€ millions)		
Northwest Italy.....	1,860	1,787	2,261	3,102	3,499	4,216	4,962	5,286	6,477
	43.3%	39.3%	47.6%	47.4%	50.4%	52.1%	45.8%	46.0%	50.5%
Northeast Italy	1,086	967	1,039	1,695	1,535	1,442	2,781	2,502	2,482
	25.3%	21.3%	21.9%	25.9%	22.1%	17.8%	25.7%	21.8%	19.3%
Central Italy.....	836	1,255	856	498	598	1,143	1,334	1,854	1,999
	19.4%	27.6%	18.0%	7.6%	8.6%	14.1%	12.3%	16.1%	15.6%
South Italy.....	472	496	538	1,165	1,217	1,120	1,637	1,713	1,658
	11.0%	10.9%	11.3%	17.8%	17.5%	13.9%	15.1%	14.9%	12.9%
Foreign	46	44	53	80	99	165	126	143	218
	1.1%	1.0%	1.1%	1.2%	1.4%	2.0%	1.2%	1.2%	1.7%
Total.....	4,300	4,549	4,748	6,540	6,948	8,086	10,840	11,497	12,834

Total turnover volumes during the above three-year period showed a slight increase mainly in North-west and Central Italy.

Assignments of receivables usually take place on a revolving basis: the factor acquires the customer's trade receivables as they arise, covering their administration and supervision until their collection, dealing with any recovery that might have to be made from the debtors, and, if necessary, handling any litigation that may arise. Factoring agreements also allow for the assignment of future receivables when they arise out of supply agreements that have not yet been fulfilled.

For commercial reasons, and in order to minimise risk, some factoring arrangements may be developed and handled jointly between specialised factoring companies and/or banks. These kinds of arrangements are known as "pool" arrangements and, depending on their nature, may be financial, management, or mixed.

In summary, Italease Factorit offers the following types of factoring arrangements:

- maturity factoring and crediting at a certain date;
- assignment with recourse;
- advances made without notice to the debtors;
- assignments without recourse, with notice to the debtors;
- assignments without recourse, without notice to the debtors;
- export factoring;
- import factoring; and
- factoring under agreements with large debtors.

The following table sets forth turnover, subdivided by transaction type, for the three years ended 31 December 2005.

	Year Ended 31 December,					
	2003		2004		2005	
	Turnover	Percentage	Turnover	Percentage	Turnover	Percentage
	(€ millions)	%	(€ millions)	%	(€ millions)	%
Maturity factoring and crediting at a date certain	5,036	46.5%	5,679	49.4%	5,906	45.1%
Assignments with recourse	1,941	17.9%	2,013	17.5%	2,761	18.0%
Advances made without notice to creditors	916	8.5%	1,158	10.1%	1,052	8.2%
Assignments without recourse, notified to creditors	500	4.6%	577	5.0%	1,331	9.6%
Assignments without recourse, not notified to creditors	1,384	12.8%	1,046	9.1%	1,072	7.9%
Factoring under agreements with large debtors	673	6.2%	601	5.2%		
Export factoring	238	2.2%	265	2.3%	400	3.1%
Import factoring	121	1.1%	142	1.2%	191	1.5%
Others	31	0.3%	16	0.1%	181	1.4%
Total	10,840	100.0%	11,497	100.0%	12,834	100.0%

Source: Factorit management accounts.

The table shows a slight increase in product volumes, except for factoring under agreements with large debtors as a result of the need to guarantee the quality of the credit in that sector.

Maturity factoring and crediting at a date certain

Maturity factoring arrangements provide for the assignment of trade receivables to Italease Factorit, which pays the assignor the amount of the receivable after the expiration of a certain period, whether or not the payment has been made by the assigned debtor by the original due date. Italease Factorit handles the assigned receivables and, based on the agreements reached between the parties, it may consider paying the assignor the amount due for the receivable as an advance against the assigned receivable which, should the assigned debtor not make the required payment, will then be returned (i.e., an assignment with recourse). On the other hand, the factor may agree to guarantee payment of the receivable (i.e., an assignment without recourse) and assume the risk that the assigned debtor does not make the required payment, upon the fulfilment of certain contractual conditions and subject to agreed limits. Whether the assignment is with or without recourse, Italease Factorit may also grant payment extensions to the assigned debtor.

In 2005, turnover from maturity factoring products was €5.9 billion, 24.06% of which were with recourse and 75.94% of which were without recourse, or 45.1% of Factorit's aggregate turnover, an increase of €108.0 million compared to €5.8 billion, of which 24.18% were with recourse and 75.82% without recourse, for the previous financial year.

Factoring with recourse

Factoring with recourse is the most typical factoring transaction, where a receivable is assigned to and managed by the factor, who may advance the amount due under the assigned receivables, in whole or in part, to the customer. The amount of any advance received by the assignor is returned to Italease Factorit if the original debtor does not make payment of the amount due at the time of the receivables' original maturity. The agreement is characterised by the risk of failure for the payment remaining with the customer, including where Italease Factorit has advanced the amount due under the receivables, in whole or in part.

In 2005, turnover from with recourse products was €2.8 billion, or 18.0% of Factorit's aggregate turnover, an increase of €368.0 million compared to €2.4 billion in the previous financial year.

Advances without notice to the debtor

Agreements for advances without notice to the debtor are similar to with recourse agreements, differing only in that the debtor under the assigned receivable is not notified of its assignment to Italease Factorit, the company reserving the right to give such notice at any time, if considered necessary for risk management purposes.

In 2005, turnover from products involving advances without notice was €1.1 billion, or 8.2% of Factorit's aggregate turnover, a decrease of €108.0 million compared to €1,159 million in the previous financial year.

Without recourse, with notice

An agreement for the factoring of receivables without recourse and with notice is the other typical factoring transaction, wherein there is an assignment of the receivable to the factor, notice is given to the debtor and the risk of the assigned debtor's insolvency is assumed by the factor. This form of contractual arrangement may again provide for advances to be made to the customer of the whole or some part of the amount due under the assigned receivables. Consequently, if the assigned debtor does not make payment of the amount due under the receivable, upon the fulfilment of a number of contractual conditions and to the extent permitted under the security provided, the assignor will not be obliged to return the amount advanced against the receivable by the factor. In short, under such an arrangement Italease Factorit assigns a credit limit for the particular assigned debtor based on its assessment of the debtor's ability to pay. Italease Factorit manages the assigned receivables and issues, on behalf of the original creditor, demands for payment provided for under the supply agreement. If an advance against the receivable is agreed and the assigned debtor does not pay the amount due under the relevant receivable, assuming the contractual conditions to the guarantee are fulfilled, Italease Factorit may not demand the return from the original creditor of the amount assigned.

Such a contractual arrangement permits the customer to transfer to the factor part of the risk that its debtors fail to pay — in line with and subject to the assessments made from time to time by Italease Factorit — and streamline the internal administration regarding the management of receivables.

In 2005, turnover from without recourse products was approximately €1,331 million, comprising 9.6% of Factorit's aggregate turnover, an increase of €666.0 million compared to €665.0 million in the previous financial year.

Without recourse, without notice

This product differs from without recourse factoring with notice in that the assigned debtor is not given notice of the assignment. In such circumstances, the assignor continues to manage the receivables and their collection, for as long as it makes payments as they fall due. The standard terms of the agreement provide that the assigned debtor receives notice of the assignment to Italease Factorit only where payment is not made as due. Italease Factorit maintains the right, however, to notify the assigned debtor of the assignment at any time. From that moment forward, the management and recovery of the receivable are handled by Italease Factorit, which guarantees payment to the assignor in the amount agreed for the receivable at a contractually-agreed date.

In some circumstances, agreements initially provide that as receivables arise, they are merely signalled to Italease Factorit, with the formal assignment deferred to a later date.

In 2005, turnover from factoring without recourse and without notice was €1,012 million, comprising 7.9% of Factorit's aggregate turnover and a decrease of €46.0 million compared to €1,058 billion in the previous financial year.

Export Factoring

In export factoring arrangements, the assigned debtor is a non-Italian resident while the assignor is Italian, and the terms and conditions are identical to those of the product categories described above.

Italease Factorit's services may seek support from an agent located in the country where the goods are exported (a foreign factoring company), such as a member of the Factors Chain International network or another foreign financial institution with whom collaboration agreements have been entered into. Factors Chain International ("FCI") is a worldwide network of leading factoring companies. The purpose of the network is to further the development of international commercial transactions through cross border factoring services. The network is headquartered in Amsterdam and currently comprises 188 factors in 58 countries. Factorit has been a full member of FCI since 1979. FCI's approach is based on the flexibility and professionalism of local operators. Members' conduct is regulated by a single worldwide code of conduct through a standardised communication system called *Edifactoring*, which permits the exchange of information through the internet on the basis of defined rules and in real time. Each operating step in the management of an international factoring agreement is being converted into a message to the information system of the other party which updates dates and location. Each member is required to be on-line and to ensure that certain structural criteria are met, and to maintain the operating standards required by the network. Further, members of the network undertake to comply with the General Rules for International Factoring which include regulations relating to factoring transactions as well as to potential litigation between factors.

In 2005, turnover from export financing products was €400 million, representing 3.1% of Factorit's aggregate turnover, an increase of €136 million compared to €265.0 million in the previous financial year.

Import Factoring

Import factoring arrangements are aimed mostly at customers not resident in Italy who hold accounts receivable from Italian businesses. Italease Factorit is put in contact with the assignor through a foreign financial institution (typically a factor from the FCI network) or is approached directly. The same factoring services as are described above are again provided under this kind of arrangement.

In 2005, turnover from import factoring products was €191.0 million, comprising 1.5% of Factorit's aggregate turnover, an increase of €165.0 million compared to €16.0 million in the previous financial year.

Agreements with Large Debtors

These are based on commercial agreements between Italease Factorit and a "large debtor", generally a major domestic company.

The debtor promotes factoring services among its suppliers, with a view to enabling them to enjoy, on the one hand, an additional form of financing over and above their normal credit facilities, and on the other, the benefits of credit management services.

At the same time, the large debtor is able to defer payment of the receivables assigned to Italease Factorit by its suppliers without penalising those suppliers, who are, as assignors, able to free up the amounts they are owed in accordance with financial terms laid down in the agreement between Italease Factorit and the large debtor.

In 2004, turnover from products involving agreements with large debtors was €600.0 million, or 5.2% of Factorit's aggregate turnover, an increase of €72.0 million compared to €672.0 million in the previous financial year.

Other products

In addition to the principal kinds of arrangements described above, Italease Factorit also offers its customers a number of other products, including:

- "Instalment Products": products which provide for the assignment and management of amounts that are owed by private customers and are being paid off in instalments, through integrated services such as an advance of the amount owed to the assignor, dealing with the collection of the receivable, any payment demands, repayments under direct debit arrangements, and managing any payments made through the post office network;
- "Financing Products": a product pursuant to which Italease Factorit makes payments to a customer's suppliers on the customer's behalf; and
- "Assignments of future receivables": in certain circumstances, it is possible for a customer to divest receivables that have yet to arise but will arise in the future in accordance with the terms of contracts entered into.

In 2004, turnover from other products was €181 million, or 1.4% of Factorit's aggregate turnover, an increase of €165.0 million compared to €16.0 million in the previous financial year.

Medium- and long-term financing

The Bank broadened its range of products during 2004 to include medium- and long-term financing and created a special department for this purpose. The department assesses possible opportunities both with regard to lending and technical aspects and establishes appropriate commercial policies in support of the business, with the main aim to assist businesses in their development by financing projects that seek to promote growth. In this way, it provides financing directly to its customers, or participate in financing through a syndicate with other financial institutions.

The agreements principally relate to lending for the acquisition of real property, and therefore the Issuer pays particular attention to the purpose of the investment and the property offered as security (which is supported by an appraisal report from a surveyor or other expert appointed by Banca Italease). The loans are on average for a period of between five and fifteen years, are made at a variable rate and include insurance, as security to cover the asset offered.

In 2005, medium- and long-term financing provided by the Bank amounted to 536.1 million, of which €398.9 million had been drawn down.

Residential Mortgage Loans

Continuing the enlargement of its product range, Banca Italease now offers residential mortgage loans for people buying or renovating houses. These loans have mortgage guarantees, a first degree of guarantee, with monthly repayments and a maximum duration of 30 years. The wide offer of flexible and innovative loans will continue to add products in line with the needs of customers and their families.

Complementary services — insurance and interest rate swaps

To complement the range of products described above, and with a view to diversifying the commercial products it offers, the Issuer also makes available insurance policies together with its different leasing agreements. Customers are required to carry insurance on property or assets under lease, however they are not required to purchase policies offered by the Issuer. The majority of insurance policies Banca Italease offers are underwritten by Reale Mutua di Assicurazioni, with whom it has specific commercial marketing agreements. Insurance policies typically terminate when the underlying leasing agreement ceases.

The Issuer also offers financial products that allow customers to manage interest rate risk (in the form of interest rate swap agreements). These products are offered in relation to leasing agreements entered into (and primarily with respect to real estate leasing agreements) and only up to the amount of the leasing agreement itself. Banca Italease offers these complementary services through its distribution network of financial institutions. The financial institutions prepare the relevant agreements on the basis of the client's specific requests.

Long-term motor vehicle renting

In addition to the Issuer's main forms of customer financing, it has also extended its business into long-term motor vehicle renting, which allows commercial customers to use a particular vehicle (a car or commercial vehicle up to 3.5 metric tonnes) for a particular period of time for a monthly fee which covers all costs associated with the vehicle, including ordinary and extraordinary maintenance, management and insurance (third-party, fire and theft, and injury to employee drivers). Such agreements are typically for a period of between 24 and 60 months.

In 2005, Banca Italease entered into 860 such agreements, an increase compared to the 603 agreements entered into in the previous financial year. It did not offer this product prior to 2003.

Management and remarketing services, for real estate and other assets

The management and remarketing of assets that have been subject to leasing arrangements are handled by one of the Issuer's subsidiary, Italease Gestione Beni. Italease Gestione Beni also provides a full range of management and remarketing services to companies outside the group.

The experience the Issuer has acquired in the various forms of leasing has allowed it to assemble a team of specialists to manage assets, including both real property and other goods, that are the subject of leasing arrangements, and their subsequent remarketing. Italease Gestione Beni's business allows it to intervene at every stage of the grant and recovery of the receivable, through technical assessments and appraisals made prior to the grant of the loan and regarding recovery and remarketing. Italease Gestione Beni is involved in the purchasing, sale, letting, renting and management of real property and other goods, as well as all activities connected with the recovery of the receivable. Italease Gestione Beni also acts as an estate agent, because of its specialised knowledge of the real estate market. Italease Gestione Beni offers its services to the group, shareholder banks and the market through its portal, Marketplace, and through its subsidiaries, Essegibi Promozioni Immobiliari S.r.l.

Pricing

Management believes the pricing of the Issuer's products and services and commissions and expenses payable by customers are in line with the market as a whole.

The prices of products and services comprise the following broad categories:

- the leasing interest rate, applied by the Group's companies on leasing agreements and medium- and long-term financing and the factoring interest rate, applied on advances and extensions granted to assigned debtors;
- charges connected with the arrangement of leasing or factoring agreements, such as contractual expenses, expenses for the review of the application, administrative expenses for the collection or reversal of fees, pre-leasing fees, and similar;
- factoring commissions, or the percentage, calculated on the value of the assigned receivable, paid for services for the management and/or guarantee of the receivable; and
- services complementary to the leasing agreement, such as insurance policies and protection against interest rate risk.

The leasing or factoring interest rate that is actually applied depends on the particular transaction and is based on, among other things, the degree of risk and the complexity of the transaction. For leasing agreements with a floating rate, the reference rate most commonly used in the calculation of the fees is the three-month Euribor interbank rate.

Distribution Channels

Banca Italease markets its various products and services through a multi-channel approach, which includes:

- a direct distribution network (the “**Direct Network**”), comprising 37 offices and branches operating across Italy;
 - an indirect distribution network (the “**Indirect Network**”), comprising:
 - 4,900 bank branches under agreement for the sale of leasing products;
 - 8,223 bank branches under agreement for the sale of factoring products;
 - 1,205 intermediaries, agents, suppliers and others, including: 90 agents registered with the Italian Exchange Office as financial advisors; 900 intermediaries registered with the Italian Exchange Office as loan brokers; 195 capital goods suppliers under agreement with Italease Network; 20 consultants, with Unico Leasing's distribution network, who alert it of opportunities; and
 - 1031 BancoPosta offices, currently involved in the sale of leasing products to BancoPosta corporate clients.

The following table summarises the Issuer's distribution network as at the date hereof.

Distribution Channel	Company				Total
	Banca Italease and Italease Network	Mercantile Leasing	Italease Factorit	Unico Leasing	
Direct Network					
.....			5 branches and 5 marketing concessions		32 branches and 5 marketing concessions
Our own branches.....	19	8			
Indirect Network					
Branches of banks with agreements approximately in place	approx 4,900	10	8,223	–	N.A.
Agents	40	50	–	–	90
Intermediaries	560	340	–	–	900
Suppliers	148	47	–	–	195
Others, belonging to Unico Leasing's distribution network	–	–	–	20	20
BancoPosta branches.....	13,726 ⁽¹⁾	–	–	–	13,726

(1) Of which 1,031 branches devoted to corporate customers are currently distributing group products.

The following tables set forth the volume of leases entered into and turnover under factoring agreements, respectively, broken down by distribution channel for the three years ended 31 December 2004.

Leasing Distribution Channels	Year Ended December 31,				
	2003	2004	% Variation Year on Year	2005	% Variation Year on Year
	(<i>€ millions</i>)			(<i>€ millions</i>)	
Direct Network	48	408	752.4%	933	129.0%
Indirect Network (Banks)	1,215	1,407	15.8%	1,268	-9.9%
Indirect Network (Intermediaries and Agents)	452	1,445	219.8%	3,538	144.8%
Indirect Network (BancoPosta)	•	•	•	•	•
Total	1,715	3,260	90.1%	5,739	76.0%

Source: Management accounts.

Leasing Distribution Channels	Year Ended December 31,				
	2003	2004	% Variation Year on Year	2005	% Variation Year on Year
	(<i>€ millions</i>)			(<i>€ millions</i>)	
Direct Network	6,441	6,931	7.6%	7,572	9.2%
Indirect Network (Banks)	4,399	4,566	3.8%	5,262	15.3%
Total	10,840	11,497	6.1%	12,834	11.6%

Source: Factorit management accounts.

The Stability Agreement

Since the beginning of its operations the Issuer has entered into agreements for the distribution of leasing products with its shareholder banks on market conditions.

On 27 October 2003, certain of the Issuer's shareholders (Banco Popolare di Verona e Novara S.C.ar.l., Banca Popolare dell'Emilia Romagna S.C.ar.l., Banca Antoniana Popolare Veneta S.p.A. and Banca Popolare di Sondrio S.C.ar.l.) entered into a "*Patto di Stabilità*" ("stability agreement") for a period of three years. On 15 July 2004, Reale Mutua Assicurazioni joined the stability agreement. The stability agreement was renewed on 28 April 2005, to reflect the amendments introduced in the Issuer's shareholding structure as a result of the merger with Factorit as well as the adherence to the stability agreement of Banca Popolare di Milano S.c.a r.l., which became one of our shareholder banks as a result of such merger. Each shareholder participating in the stability agreement may withdraw from the agreement by written notice not less than 180 days prior to the expiry of the three-year term.

The stability agreement is governed by a steering committee. Each of the parties to the stability agreement designates one member to such steering committee for the term of the agreement. Resolutions by the steering committee require the absolute majority of affirmative votes of members present at the meeting and, in any case, no less than two members. The approval of and the determination of the terms relating to the acceptance of new shareholders to participate in the agreement require the unanimous vote of all members. Pursuant to the regulations of the steering committee, a shareholder may not hold in excess of 40.0% of the voting rights of the stability agreement.

The stability agreement provides the following, among others:

- a general undertaking by the parties not to sell or transfer the shares subject of the stability agreement (other than to a member of their own group); parties may however transfer the shares to other shareholders and to third parties (provided such third parties adhere to the stability agreement) with the unanimous authorisation of the members of the steering committee of the stability agreement;
- an undertaking to treat the shareholders participating in the stability agreement preferentially with respect to transfers of shares not subject of the stability agreement; and
- a voting trust whereby parties are required to confer with one another to reach a decision on how to vote shares held by them at the Issuer's shareholders' meetings.

Due to the voting trust, none of the parties to the stability agreement is individually able to exercise control over the Issuer. However, voting together the parties are able to control the Issuer.

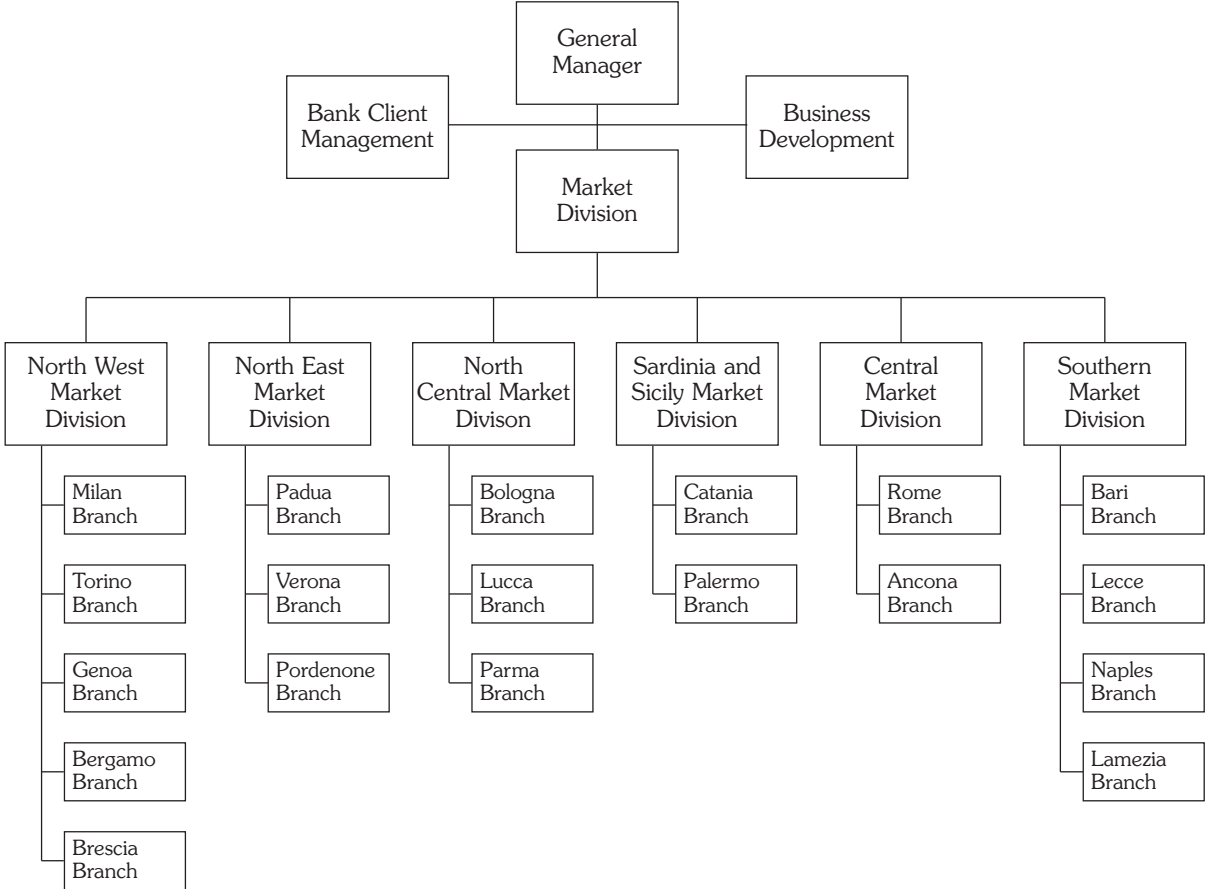
The stability agreement effectively prohibits the Issuer from being taken over by any other shareholder by restricting the transferability of shares by the parties during the term of the agreement. The parties to the stability agreement hold 48.372% of the Issuer's outstanding shares and therefore exercise significant influence over the Issuer, including the approval of the annual financial statements and the declaration of dividends.

The shareholder banks participating in the stability agreement have also undertaken to provide the Issuer with financial support at market conditions in the event of non-availability to the Issuer of direct financing on the market. They have also committed to selling the Issuer's leasing products through at least 50.0% of their branches or providing the Issuer with at least 50.0% of the new leases generated by them during the term of the agreement. The applicable percentage thresholds are calculated based on average transaction volumes and/or the annual number of agreements of the respective banking group.

The Direct Network

The Direct Network has the role of developing the Issuer's commercial offerings within Italy and providing commercial and operating assistance to the Indirect Network. The Direct Network consist of branches and offices across Italy belonging to Banca Italease, Mercantile Leasing and Italease Factorit. The separation amongst the companies has been maintained for greater commercial effectiveness and to encourage each company to stay focused on its respective market sectors.

The Issuer’s Direct Network is organised into five market divisions, each having responsibility for a different geographical area, and 19 branches, which depend upon the different geographical market divisions. The following diagram sets forth a summary of the organization of Banca Italease’s Direct Network.



The head of the market divisions is responsible for managing each of the geographical divisions and for achieving management’s commercial marketing objectives, coordinating both direct sales and supporting indirect channels and intermediaries (and particularly relations with its shareholder and partner banks) within the particular geographical area, identifying and assessing commercial opportunities, deciding upon terms and interest rates and assisting with employee training and development in accordance with the guidelines set-forth by the human resources department.

Each branch is managed by a branch manager, who has the responsibility of managing the team of area managers in order to reach the appointed budget objectives, ensuring that the internal organization of the branch is functioning correctly in terms of promptness in responding to applications and the quality of the product, and ensuring that the regular administration of all the branches’ activities are taken care of.

Each branch consists of:

- area managers, who have responsibility for reaching the commercial objectives for a particular area and dealing with customers; and
- office staff, who perform commercial and back-office activities.

The Indirect Network

In addition to the Direct Network, the Issuer also has the following indirect distribution channels:

- partner banks;
- a network of intermediaries, agents, suppliers and others; and

- BancoPosta branches. See “*Banca Italease S.p.A. — Description of the Issuer’s Business — Distribution Channels*”.

With regard to distribution channels for leasing products, the Issuer has gradually reduced the proportion of volume of new income-bearing leasing agreements it makes through its shareholder banks and partner banks from approximately 43% in 2004 to 21% in 2005.

Following the introduction of its new services, and as a result of the fact that none of the Issuer’s shareholder or partner banks have their own factoring company capable of providing a full range of services, Italease Factorit had by contrast gradually increased the proportion of its turnover from these two sources, from 40.0% for the year ended 31 December 2003, to 39.7% for the year ended December 31, 2004, and 41.0% for the year ended 31 December 2005.

Partner Banks

Banca Italease has agreements in place for the distribution of both leasing and factoring products with a variety of partner banks. As at 31 December 2005, such agreements were in place with a total of 57 partner banks for the distribution of leasing products and 87 partner banks for factoring products.

The Issuer’s partner banks sell leasing products pursuant to an umbrella operating agreement as well as the Presto Leasing Agreement and the Leasingauto Agreement. Under the umbrella operating agreement, each of the partner banks has agreed to collaborate in marketing the Issuer’s products and services by recommending it to interested customers, collecting applications for leasing arrangements, and reviewing and completing such agreements in accordance with specified procedures.

The Presto Leasing Agreement and Leasingauto Agreements allow partner banks themselves to enter into leasing agreements for and on behalf of the Issuer, up to a maximum risk amount of €250,000 per agreement or per customer. Each partner bank assumes a part of the business risk connected with the agreements and gives it an indemnity of 50.0% of any losses the Issuer incurs as a result of the lessee’s failure to make payments when due. Such losses are calculated as the sum of: (i) the residual amount outstanding under the agreement at the date of the last payment made by the lessor and (ii) interest on the residual amount outstanding, calculated from the date of the last payment made by the lessor to the date of payment by the partner bank of the guaranteed percentage of the loss, after deduction of the amount realised by Banca Italease upon sale of the asset (net of any expenses connected with its recovery and sale).

Pursuant to a Stability Agreement entered into by certain of the Issuer’s shareholder banks which was renewed in April 2005, such shareholder banks have, among other things, each committed to selling its products through at least 50.0% of their branches or providing it with at least 50.0% of the new leases generated by them for three years.

Banca Italease pays its partner and shareholder banks commissions calculated on the basis of a fixed proportion of the amount of the leasing agreement, the gross spread (the difference between the rate of return and the current borrowing rate at the time the loan is drawn down) and the lease’s duration. The Issuer paid commissions to partner banks for the sale of leasing products of €9.3 million, €11.3 million and €10.2 million in 2002, 2003 and 2004, respectively.

The collaboration with partner banks for sales of factoring products is governed by a Factoring Operating Agreement, under which each partner bank has agreed to identify potential customers within its portfolio following specific pre-arranged criteria (such as on the basis of yearly turnover, business sector or geographic market), as well as promote and place factoring products. The partner banks have also agreed to share information on their existing customers with Italease Factorit in order to help Italease Factorit in evaluating customer creditworthiness. In return, the Issuer’s partner banks receive one-off commission payments for new customers introduced, paid as a reimbursement of expenses, which vary depending on the nature of the agreement, and

- one-off commission payments for new customers introduced, paid as a reimbursement of expenses, which vary depending on the nature of the agreement; and

- a commission calculated based on the commission collected from the customer, which varies depending on the nature of the agreement. In addition, commission credit for all other transactions between Italease Factorit and the customer is awarded to the partner bank.

If the customer becomes insolvent, the partner bank will not receive a commission. Factorit paid commissions to partner banks for the sale of factoring products of €3.0 million, €3.1 million and €3.5 million in 2002, 2003 and 2004, respectively.

The Network of Intermediaries

Besides marketing and distributing products and services through the channels described above, Banca Italease also markets and distributes leasing products through a sales network of more than 1,000 intermediaries, representing one of the strongest features of the Issuer's commercial strategy.

Included within the Issuer's network of intermediaries are insurance agents and financial advisors, from the following companies who have non-exclusive contracts to place its leasing and medium- to long-term financing products:

- Reale Mutua di Assicurazioni;
- Banca Aletti e C. S.p.A.;
- Aletti Invest SIM S.p.A.;
- Banca Bipielle.net S.p.A.; and
- Veneto Banca S.c.a r.l.

Intermediaries operate in a particular geographical area and refer directly to the manager responsible for that area within Banca Italease's local branch office. These managers provide estimates and offers, review proposed transactions, and prepare and execute agreements. The leasing agreement is administered thereafter from central office headquarters. Intermediaries may also apply for a computer link to the Issuer's offices, allowing them to supply their customers with direct estimates, and enabling them to commence approval procedures and print out leasing agreements.

Banca Italease pays great attention to the development and recruitment of its intermediaries, who generally have significant experience in the leasing market. Training courses are organised for intermediaries where new products or promotions are introduced, and these are normally conducted by Banca Italease's own staff. In 2003, Banca Italease changed the manner in which it paid commissions, eliminating what had previously been a deferred commission component in favour of paying all commission monies upfront. It paid its intermediaries commissions of €0.5 million, €1.6 million and €17.5 million in 2002, 2003 and 2004, respectively.

— The commercial agreement with Reale Mutua di Assicurazioni

On 2 April 2004, the Issuer entered into a commercial agreement with certain companies of the Reale Mutua group (specifically, Reale Mutua di Assicurazioni, REM Assicurazioni S.p.A., La Piemontese Vita S.p.A. and Banca Reale S.p.A.). The agreement term is for a period of three years and may be automatically renewed for a further three years. Under the terms of the agreement, the parties may market and distribute their own products using the distribution network of the other. The Reale Mutua group may offer Banca Italease's leasing agreements and medium- and long-term financing products, and the Issuer may offer Reale Mutua's insurance policies connected with and complementary to financing and leasing agreements previously entered into, in addition to its own products ("compulsory insurance coverage") and other insurance policies ("additional insurance coverage"), with a view to protecting the asset surrender value. The Bank may also offer stand-alone insurance policies ("standardised products").

A separate agreement, which is in the process of being implemented, provides for the distribution by Banca Reale S.p.A., on a non-exclusive basis through its Reale Mutua group's network of insurance agents, of certain standardised Banca Italease products. These products include medium- and long-term financing arrangements, car leasing, leasing of capital goods, leasing of real property, ship leasing, and

other products that Banca Italease have previously agreed will be covered under the agreement. The evaluation of each individual transaction and the terms on which the Issuer grants financing lie exclusively with it, as it establishes the terms directly with the individual customer.

REM Assicurazioni S.p.A. and La Piemontese Vita S.p.A. have also agreed to make available for distribution through banking outlets insurance products which have standardised terms and security options, which the Issuer can distribute to its customers through its own marketing and distribution network.

— *The commercial agreement with Banca Aletti & C. S.p.A.*

Banca Italease has two commercial agreements with Banca Aletti & C. S.p.A. (“Banca Aletti”), a company in the Banco Popolare di Verona and Novara group. Pursuant to the agreement Banca Aletti refers potential leasing transactions and medium- and long-term lending transactions to the Bank. The commercial agreements are open-ended, and may be terminated by either party at any time with three months written notice.

— *The commercial agreement with Aletti Invest SIM S.p.A.*

Banca Italease also has two commercial agreements with another company in the Banco Popolare di Verona and Novara group, Aletti Invest SIM S.p.A. (“Aletti Invest SIM”) under which Aletti Invest SIM refers potential leasing transactions and medium- and long-term lending transactions to the Bank and also takes a role in arranging such transactions. The commercial agreements are open-ended, and may be terminated by either party at any time with six months written notice.

— *The commercial agreement with Banca Bipielle.net S.p.A.*

Banca Italease has a commercial agreement with Banca Bipielle.net S.p.A. (“Banca Bipielle”), a company of the Banca Popolare di Lodi group, under which Banca Bipielle refers potential leasing and medium- and long-term lending transactions to it. The commercial agreements are open-ended, and may be terminated by either party at any time with six months written notice.

— *The commercial agreement with Veneto Banca S.c.a r.l.*

Pursuant to its commercial agreement with Veneto Banca S.c.a r.l. (“Veneto Banca”), the holding company of the Veneto Banca group, Veneto Banca refers potential leasing transactions to the Issuer’s attention. The commercial agreements are open-ended, and may be terminated by either party at any time with six months written notice.

— *BancoPosta branches*

On 3 August 2004, Banca Italease entered into an agreement with the BancoPosta division of Poste Italiane S.p.A., the Italian post office, to market and distribute certain of the Issuer’s products to BancoPosta accountholders, including: (i) motor vehicle leases and leases for capital goods in amounts up to €150,000; and (ii) unsecured loans in amounts up to €50,000, with terms of between 12 and 60 months, to businesses or self-employed individuals. Other Banca Italease products (for example, the “Tiarredo” leasing arrangement connected with mortgage loans provided by Banca Italease to private individuals, leases for real property, leases for aircraft and sea vessels, and leases for assets valued at more than €150,000) lie outside the scope of the agreement, as do complementary products, which may nonetheless be offered separately if customers request them. Approval of these leases is made exclusively by Banca Italease, which evaluates the prospective lessor under a proprietary “credit scoring” system.

The commercial agreement is for a period of two years, which may be automatically renewed for a further two years. The agreement may be terminated by either party upon six months’ notice.

Poste Italiane S.p.A. receives a fixed commission upon execution of a new lease, calculated based on the value of the asset. As at 31 December 2004, no commissions had been paid under this agreement as it had only recently come into effect.

— *The commercial agreement with Michelin Italia*

During the first three months of the 2006, Banca Italease signed an important commercial agreement with Michelin Italia focused on the launch of “LeasinGomme”, an innovative product studied for truck owners who want to lease truck tyres.

The two companies are already structured, with their commercial channels, to sell leases for truck tyres. LeasinGomme, is already distributed across a network of 150 Michelin’s Top sellers branded with “Certificato Qualità Michelin”.

LeasinGomme represents the first and only leasing for tyres in the world, created to answer to most of the truck owners’ needs. This product, in fact:

- is cheap: there are no fixed costs for the opening of the contract and interest rate is lower than other comparable financial products;
- is simple and fast: with only one signature you can buy leases for truck tyres directly from Michelin sellers

Competition

Leasing

The Issuer compete as regards leasing against companies that are banking institutions and financial intermediaries authorised to conduct banking business by the Bank of Italy and the Ufficio Italiano Cambi (“UIC”).

The leasing market in Italy includes approximately one hundred companies and is highly concentrated. For the year ended 31 December 2005, the ten leading companies generated more than 62.0% of the value of total leasing transactions entered into in the Italian market, as is set forth in the following table.

Company, by rank	2003		2004		2005		2005/ 2004
	Value	% of Total	Value	% of Total	Value	% of Total	% Variation
	(<i>€ millions</i>)		(<i>€ millions</i>)		(<i>€ millions</i>)		
1. Banca Italease Group	2,239	6.95%	4,785	12.5%	6,298	14.3%	31.61%
2. Locat S.p.A.	4,154	12.89%	4,971	13.0%	5,659	12.8%	13.86%
3. Intesa Leasing S.p.A.	2,505	7.77%	2,809	7.4%	3,080	7.0%	9.65%
4. SanPaolo Leasing S.p.A. ..	1,807	5.61%	2,060	5.4%	2,357	5.3%	14.42%
5. Banca Agrileasing S.p.A. ..	1,588	4.93%	1,868	4.9%	2,305	5.2%	23.41%
6. Locafit Group.	1,436	4.46%	1,754	4.6%	1,927	4.4%	9.83%
7. Selmabipiemme.Leasing S.p.A.	1,259	3.91%	1,389	3.6%	1,922	4.4%	38.37%
8. BPU Leasing - Esaleasing Group	864	2.68%	931	2.4%	1,430	3.2%	53.68%
9. FINECO Leasing S.p.A.	1,621	5.03%	1,472	3.9%	1,402	3.2%	- 4.73%
10. Centro Leasing S.p.A.	1,188	3.69%	1,227	3.2%	1,260	2.9%	2.70%
Top 10	18,661	57.91%	23,266	60.9%	27,641	62.6%	18.81%
Total Market	32,222	100.00%	38,185	100.00%	44,160	100.00%	15.65%

Source: Assilea

In 2005, Banca Italease held 14.3% of the Italian leasing market in terms of the value of agreements and were the largest operator. The other main players in the Italian market are Locat S.p.A. (a member of the Unicredito Italiano group of companies), Intesa Leasing S.p.A. (a member of the Banca Intesa group), SanPaolo Leasing S.p.A., Locafit S.p.A., Fineco Leasing S.p.A. (a member of the Capitalia group) and Banca Agrileasing S.p.A. (a member of the ICCREA group).

The position of the Group in individual market sectors in 2004, in terms of the value of the transactions, is set forth in the following table.

	Banca Italease Group	Total Market	Market Value (%)	Ranking
		(€ millions)		
.....				
Other assets leases	2,260	22,210	10.18%	2
of which:				
<i>motor vehicles</i>	486	8,870	5.48%	5
<i>capital goods</i>	1,345	11,356	11.84%	1
<i>aircraft, sea vessels and railway</i>	429	1,984	21.63%	2
Real property leasing	4,037	21,950	18.39%	1
Total leasing	6,298	44,160	14.26%	1

Source: Assilea

Factoring

Like the leasing sector, the factoring market is also highly concentrated with the three largest factoring companies representing over 50.0% of the factoring market and the largest ten representing over 80.0% of the factoring market, as evidenced in the following table.

Company, by rank	Year ended December 31,						
	2003		2004		2005		% Variation 2005/2004
	Turnover	% of Total	Turnover	% of Total	Turnover	% of Total	
	(€ millions)						
1. Intesa Mediofactoring	27,747	23.37%	26,119	24.85%	25,312	25.04%	-3.09%
2. Ifitalia S.p.A.	21,467	18.08%	17,687	16.82%	15,931	15.76%	-9.93%
3. Italease Factorit	10,840	9.13%	11,497	10.94%	12,834	12.70%	11.63%
4. Unicredit Factoring	4,627	3.90%	5,904	5.62%	5,539	5.48%	-6.18%
5. Capitalia L&F	6,135	5.17%	4,430	4.21%	5,247	5.19%	18.46%
6. Fidis	16,478	13.88%	10,413	9.90%	5,008	4.96%	-51.90%
7. MPS L&F	3,876	3.27%	3,947	3.75%	4,105	4.06%	4.01%
8. CBI Factor	2,452	2.07%	4,519	4.30%	3,791	3.75%	-16.11%
9. Fercredit	2,873	2.42%	n.a.	n.a.	3,317	3.28%	n.a.
10. Centrofactoring	2,294	1.93%	2,884	2.74%	2,943	2.91%	2.03%
Top 10	98,789	83.22%	87,400	83.14%	84,027	83.14%	100.00%
Total Market	118,705	100.0%	105,126	100.00%	101,068	100.00%	-3.86%

Source: Assifact

Many of the participants from the banking sectors have adopted business policies, including commercial policies, credit policies and operating policies in line with those of their holding company. The lower turnover in 2005 as compared to 2004 was mainly due to the negative results of large participants from the banking sectors while their small and medium-sized competitors generally achieved more or less significant growth rates, in particular towards the end of the year.

In the Italian factoring market, Italease Factorit was ranked third, with a market share of 12.7% in 2005, compared to the overall negative results of the market which decreased by 3.9%

Intellectual Property

The Issuer does not depend on patents, trademarks, or licences, except for the trademarks and logos concerning its name, Banca Italease, and the name of each of the other companies in the Group, and its licenses to conduct businesses. Banca Italease or its subsidiaries also hold registered trademarks to protect the names of their products and services. These trademarks expire between 2006 and 2015.

Real Property

The Issuer owns or leases real property to serve as headquarters, offices and commercial space for its business operations. It also owns or leases, directly or through its subsidiary Italease Gestione Beni, property which serves as warehouse or other storage space for the management of assets which are to be or were formerly leased. It also leases parking space.

Employees

As at the date of this Base Prospectus, the Group had 888 employees. The following table sets forth the number of group employees as at 31 December 2004 and 2005.

	Year ended 31 December		
	2004	2004 Pro forma ⁽¹⁾	2005
Full-time personnel			
a) Senior Managers	28	34	37
b) Middle Managers.....	181	264	291
c) Other full-time personnel	344	460	486
Other personnel	–	–	25
Total	553	758	839

(1) Recalculated as if the merger with Factorit had occurred on 1 January 2004.

Mercantile Leasing, Italease Factorit and Itaca Service are the only companies in the Group which have unions. Management believes that the Issuer's relations with such unions are good. These companies have never experienced work stoppages or other labour unrest resulting in a material adverse effect to their businesses.

Research and Product Development

The Issuer is active in the generation and distribution of lending instruments (predominantly leasing and factoring products) aimed at businesses, and more recently, private individuals. It has carefully managed its policy of research and development over the years, and this has contributed to the improvement of its competitive position, which currently places it second in Italy in leasing and third in factoring. Research is conducted internally, by the Issuer's department of strategic marketing.

Research is predominantly conducted in three areas:

- analysis of the market and its main trends (in particular in investments), and the monitoring and study of sector data necessary to understand the behaviour of the market as a whole and Banca Italease's relative position therein;
- the study of the competitive environment and the other main players in the market in order to monitor new developments in products, procedures and distribution channels and measure the efficiency of different distribution models; and
- the analysis of Banca Italease's internal efficiency and effectiveness in order to ensure that it maintains its overall competitiveness.

The information drawn from research forms the basis for the Issuer's planning and commercial development and has allowed it to:

- reach new customer markets (in 2004 it entered the market for leasing to private individuals through the products known commercially as "Tiguido", "Tiarredo" and "Tivaro" which have been specifically designed to encourage leasing by private customers);
- develop its agreement with BancoPosta, which will permit the distribution of traditional leasing products as well as leasing products targeted at private individuals through the distribution network of Poste Italiane S.p.A.; and
- develop initiatives and incentives for its sales force; for example, the "Tipremio" competition, which took place during 2004, was developed in order to increase the productivity of certain of its marketing and distribution channels, and reward the best ideas put forward by the sales network.

Currently, a series of projects is being developed with a view to identifying new marketing and distribution opportunities:

- the development of new and simpler methods for entering into leasing arrangements, which finance smaller investments;
- the possible introduction of "staff leasing" to the market (where a lessor leases employees from a supplier); and
- the development of leasing to governmental bodies.

Legal Proceedings

General

As at 30 June 2006, the Issuer was party to a number of legal proceedings that have arisen in the ordinary course of its business. It has initiated 1,498 legal proceedings to recover assets and/or receivables valued at approximately €130.3 million from customers for non-payment and 943 legal proceedings to recover assets and/or receivables valued approximately €128.7 million from customers in liquidation or bankruptcy proceedings. It has taken write-downs with respect to the leases the subject of these two groups of proceedings in the amount of €38.7 million and €66.7 million, respectively, and has estimated amounts recoverable from these assets at €61.3 million and €61.3 million, respectively.

On 14 March 2005, Factorit was served with a claim by Parmalat S.p.A., which is currently under extraordinary administration, for the revocation, pursuant to Italian insolvency law, of a series of assignments of receivables to Factorit, for an aggregate amount of €52,049,100 during the year prior to the declaration of insolvency of Parmalat. Based on a preliminary analysis of the claims of Parmalat and the legal advice of external advisors, management believes that there are well-founded arguments to dismiss this claim and no specific provision has been made in respect of this potential liability. However, no assurance may be given as to the outcome of the dispute.

Tax

The Issuer has received notices regarding investigations on direct taxes for the years 1995, 1996, 1997 and 1998, 1999, all of which are with respect to the operations solely of Banca Italease. Tax investigations for the years 1995, 1996 and 1997 which sought additional corporate income tax (IRPEG, or *Imposta sul Reddito delle Persone Giuridiche*) in a total amount of €32.4 million plus penalties and interest were concluded in the Issuer's favour by the Regional Tax Commission, however the Tax Division could appeal against this decision to the Court of Cassation.

Tax investigation for the year 1998 for a total amount of additional IRPEG of €4.4 million plus penalties and interest, were concluded in the Issuer's favour by the Provincial Tax Commission, however the Tax Division of the Region of Lombardy has appealed against this decision. On 21 July 2006 the Regional Tax Commission divided the sentence into two parts. The first, relating to the economic competence for lease payment at the deal subscription ("*Maxicanone*"), has been concluded in favour of the Issuer. The second, relating to the economic competence of the fees paid to banks for finding the

clients, has been concluded against the Issuer. At the moment only Banca Italease has appealed against the second decision to the Court of Cassation.

With respect to the tax year 1999, the Issuer has received notice of investigations for additional VAT due in the amount of €0.3 million plus penalties and interest. As at the date of this Prospectus, the Issuer is still awaiting the decision of the Provincial Tax Commission. Based on the legal advice of its tax advisers, the Issuer believes that the claims against it are groundless and has not set aside any special reserves for these potential liabilities. No assurance may be given, however, as to the outcome of this dispute. A negative outcome in any such investigation may have an adverse effect on the Group's results of operations and financial condition. Potential liabilities with respect to these investigations are discussed in the notes to the Issuer's consolidated financial statements as at and for the year ended 31 December 2005.

Risk Management

General

The aim of the risk management process is to monitor and control the size and concentration of risks arising from interest rate and exchange rate fluctuations, liquidity risks, credit risks, and operational risks. We do not have a trading book and therefore are not exposed to market risk.

We manage and supervise risks through our Risk Management Committee, our Risk Management Office, the different departments involved in front-line controls and the Internal Audit Service. The Risk Management Committee is drawn from key executives within our group and is chaired by the chief executive officer, who has the responsibility for developing strategies and codes of conduct with regard to market risks, structural interest rate risk, liquidity, credit and operating risks. Our Risk Management Committee meets on a monthly basis and is responsible for developing methods and processes to measure risks and integrated controls within and among the group, with the aim of effectively managing the capital at its disposal.

The various business departments involved in approving customers for leases and other credit arrangements are considered to be our "front-line" controls and are responsible for ensuring that we comply with credit rules and credit limits and are part of our system of checks and balances.

System of Internal Controls

Our system of internal controls comprises all the procedures and organizational structures that seek to ensure that business strategies are followed and carried out in the most effective and efficient manner possible; that the value of our assets are safeguarded and protected against losses; that our accounting data and management records are accurate and reliable; and that our transactions are conducted in accordance with the law, regulatory requirements, relevant company by-laws and internal regulations.

The system of internal controls assesses and controls all the various forms of risk, seeking where possible to quantify the impact of such risk.

It comprises a number of different kinds of controls, on three different levels:

- front-line controls (first level);
- risk management controls (second level); and
- internal auditing (third level).

We have prepared our own set of internal control regulations and have approved sets of Organizational Process Regulations, Governance Process Regulations and General Business Regulations which set forth the methods by which the criteria is applied and the role of the administrative bodies, audit bodies and individual business units. The current rules governing internal controls call for periodic checks to be made with regard to the suitability, organizational risk and functioning of the system of controls itself.

The criteria we apply for risk management has also been carried over to our other business activities, including decision-making, lending, financing, internal audits, information technology, information management, accounting, strategic planning, purchasing and the handling of personal data.

Our internal control regulations require us, on the basis of the information received from our subsidiaries regarding individual business processes (production processes, revenues processes, risk-based processes, processes regarding assets), to verify that we are complying with the requirements imposed by the Bank of Italy. We have also adopted an operating procedure.

We conduct periodic internal audits to ensure that our subsidiaries are implementing our group risk management rules effectively and that the risk management criteria is being correctly applied. We conduct these checks both remotely and through on-site visits.

First-level controls seek to ensure that the transactions are conducted properly. These are conducted through the same production structures (for example, systematic controls of a hierarchical nature and random audits) or are incorporated as part of our operating procedures, including our automated operating procedures, or form part of back office activities.

There are two kinds of second-level controls, which involve:

- the use of dedicated structures, to measure risk, particularly the Risk Management Committee; and
- checks carried out by departments that are not involved in the provision of credit and therefore not engaged in front-line controls; such checks ensure that the credit limits assigned to the various group levels have been complied with and that the individual production areas are in line with the risk-return objectives.

The third-level controls consist of the periodic assessment of our internal control system to ensure that it is functioning correctly. This takes place at predetermined intervals and whenever there is a major change in the business (such as our entry into new markets or our launch of new products). These controls examine the nature and intensity of the risks assumed and the business requirements as a whole.

The third-level controls are conducted by the Internal Audit department, which is a separate and independent department. The board of directors, the executive committee, senior management and the board of statutory auditors are regularly updated on Internal Audit activities. The Internal Audit department continually exchanges information with the other departments and sections performing controls, and in particular with the Risk Management Committee as well as the chief executive officer, the board of directors and the board of statutory auditors.

Credit risk

General

Credit risk is the risk that a borrower does not promptly meet its payment obligations arising under one of our agreements, resulting in a financial loss. The risk is normally in relation to the approval of a leasing arrangement, a medium- or long-term loan, factoring or interest rate swaps.

Our Credit Policies Unit, part of the Receivables Management department, periodically sets forth what it considers the ideal composition of the amounts receivable as a whole (in terms of risk by business sector, country risk and customer size) in order that the credit risk be reduced as far as possible, given the predetermined objectives for the rate of return.

We adopted a strategic credit management portfolio model, which allows us to optimise the composition of our portfolio on the basis of a number of different criteria (including geographical location and sector, among others). This technique, commonly known as Credit VaR (Credit Value-at-Risk) has, in trials, allowed us to obtain important measures in terms of the concentration and correlation of our portfolio. The ability to quantify such items enables us to focus our commitments appropriately.

For the introduction of the New Basel Capital Accord (also known as “Basel II”) and the new IFRS accounting principles, we have employed some leading edge software tools and models to assess and monitor our existing customers.

The assessment of the customers' credit risk is done through a rating which seeks to quantify what is commonly known as a "first-hurdle" risk. The process is completed by an assessment of the security offered in support of the transaction and the assets that are to be leased, which permits measurement of "second-hurdle" risks. The rating model used for an assessment of the customer's solvency is based on the results of statistical scoring models combined with the subjective assessment made by the manager. The choice of which rating model to use has been made partly as a result of the requirements provided under Basel II. The automatic, statistically-based component of the model uses a variety of internal and external sources of information present on our computer system. The final rating, used for approval and credit review procedures is completed by a qualitative, subjective evaluation, made using a questionnaire completed by the person making the assessment. The process of quantifying the ratings and of calculating the probability of default takes place on a monthly basis, and customers are classified and placed into a number of different "pass" or "fail" categories.

With regard to the assessment of the collateral in a given transaction and the assets that are to be leased, we are currently implementing a system for quantifying the rates of recovery (or the losses in the case of default). The assessment of losses in the case of default, together with probability and exposure to default, will allow us to calculate the components of expected loss and unexpected loss necessary for auditing and modernising our policies for assessing credit risk.

The Bank has recently begun adapting its credit risk management practices to the requirements of Basel II.

Operational management of credit risk

At an operating level, credit risk is managed through a process that comprises the following stages:

- application review;
- grant/approval;
- management; and
- monitoring and renewal.

Credit risk assessments are made in order to establish the level of risk connected with the lending in question, including economic risk (the probability that the prospective borrower will become insolvent); and financial risk (failure to repay the amounts outstanding as they fall due). To that end, the economic, financial and asset positions of a prospective borrower are assessed using several specific analyses. In particular, the following are reviewed:

- the validity and accuracy of the information supplied and the statements made by the prospective customer on its loan application, together with supplementally acquired internal information such as the applicant's dealings with our other customers and information available regarding the applicant from the Bank of Italy's Risks Centre.
- the qualitative features of the relevant business, including the economic sector in which it operates, the products and technology in use, its revenues, market shares held, management capabilities and the outlook for the sector to which it belongs. In this regard, an assessment of the feasibility of the business's activities and programmes is made;
- the quantitative features of the businesses, taking into account its financial structure, the manner in which it meets its financial requirements, its economic structure and the structure of its assets. These aspects are also assessed in terms of their future activities, in order to verify the variables that contribute to its stability;
- the qualitative and quantitative features of those applicants that are not businesses, taking account of their financial and assets capabilities, their conduct in previous dealings, and their professional standing;
- qualitative and quantitative aspects of groups, using consolidated financial information and the information available on the market through institutions; and

- the suitability and validity of the fixed security which the applicant is offering, or which may be offered by third-party guarantors in the form of personal guarantees.

For leasing transactions, certain additional risk assessments are considered:

- an assessment of the size of the business, and its size relative to that of the proposed transaction and the ability to repay the annual amount taking into consideration any commitments that have yet to make an impact in the business's financial statements;
- an analysis of the aims and features of the investment and its impact upon the business. The investment may be replacing an existing obsolete asset or it may be made in order to develop the business by adding new plants (in order to address increasing demand, enable entry into new markets, cope with an expanding customer base, introduce new products, or with a view to performing work internally that was previously provided externally);
- an assessment of the asset's marketability and its pricing;
- checks with the suppliers (including detailed investigations of the applicant's dealings with its supplier, if any); and
- real property leasing particularly, a detailed assessment of the seller of the property (and of any persons who might succeed to the seller's position in the two years following the sale) so as to minimise the risk of the transaction being revoked under insolvency legislation.

Factoring

With regard to factoring transactions, all the information compiled is assessed in relation to the product that is to be factored and the additional services requested by the prospective customer. As a result of policies governing the Group's assumption of credit risk, the transaction may be structured so as to make any drawdowns conditional upon the customer obtaining suitable documentation in support of the nature of the receivable. In addition, a risk limit is placed upon each of the assigned debtors, for products with a financial component. This limit is determined by an office dedicated specifically for this purpose and separate from the commercial division.

Information is also compiled regarding the debtors such as their turnover and the average number of days that they are late making payments. The limits placed upon customers who are not debtors, and the operating features of the factoring agreement and any consequent advances, are settled by the loans office. The grant is made jointly by committees, in accordance with the separation of responsibilities provided under internal procedures. The results of the above inquiries are summarised in a loan report, which includes an evaluation of the applicant's credit risk and this is then submitted for approval by the relevant internal bodies.

Powers

Our credit facilities may be approved up to a maximum amount of risk per financial group at a group level. In connection with the assumption of new credit, separate departments are required to propose and approve a given transaction, so as to create a system of checks and balances. In addition, there are limits to the amount of credit which may be approved by various departments and managers. The following table sets forth the maximum amount of credit which may be approved by each of the various group levels.

Responsible Body	Maximum Approval Amount (€ thousands)
Board of Directors	Within capital adequacy limits
Executive Committee	Up to 30,000
Credit Committee.....	Up to 15,000
Chief Executive Officer	Up to 7,000
General Manager	Up to 5,000
Deputy General Manager Business	Up to 3,000
Vice Deputy General Manager Business	Up to 2,500
Corporate Credit Area Manager	Up to 1,500
Supply Area Manager.....	Up to 1,250
Large Corporate Manager / Medium Long Term Financing Manager / Supply Banking Manager / Supply Direct and Intermediaries Manager	Up to 1,000
Business Area Credit Manager / Business Area Retail Credit Manager ..	Up to 750
Network Credit Manager / Supply Partner Manager / Senior Credit Manager Main Branch	Up to 500
Corporate Relationship Manager / Senior Credit Network Manager.....	Up to 250
Branch Office Manager	Up to 150

These credit approval powers are exercised in accordance with the granted limits, and in the manner set forth by our circulars and guidelines.

In 2004, we adopted a system of credit scoring for use in approving transactions where the amounts involved were relatively small. The group has made a strategic decision that the approval procedures by the system should be selective.

Powers to approve transactions for Italease Factorit are divided into two broad areas:

- approvals regarding the assignors; and
- approvals regarding the assigned debtors.

Within each of these two broad areas, the authority to assume risk is divided into categories based on the amount involved, while at least two authorised individuals are required to approve each application. With regard to the assignors, approval authority varies depending on the nature of the proposed transaction. There are also specific requirements governing who may approve resolutions regarding concentration of risk, business groups and export factoring.

Responsible Body	Maximum Approval Amount (€ thousands)
Board of Directors	Within capital adequacy limits
Executive Committee	Up to 50,000
Chief Executive Officer	Up to 7,000
General Manager	Up to 5,000
Deputy General Manager Business	Up to 4,000
Business Area/Credits and Operative Management.....	Up to 3,000
Credit Manager	Up to 1,000
Business Area Manager	Up to 500
Branch Office Manager	Up to 310

The persons authorised to approve assignors, for the amounts indicated, for both recourse and non-recourse factoring transactions are the following:

The persons authorised to approve debtors, for the amounts indicated, for both recourse and non-recourse factoring transactions are the following:

Responsible Body	Maximum Approval Amount (€ thousands)
Board of Directors	Within capital adequacy limits
Executive Committee	Up to 50,000
Chief Executive Officer	Up to 7,000
General Manager	Up to 5,000
Deputy General Manager Business	Up to 4,000
Business Area/Credits and Operative Management.....	Up to 3,000
Credit Manager	Up to 1,000
Business Area Manager	Up to 400
Senior Analyst	Up to 50

Monitoring

With reference to monitoring, our customers are subject to constant and careful scrutiny, in order to identify and eliminate any negative financial indicators that may potentially threaten the credit facilities put in place. This is conducted by a dedicated committee which, in addition to having experts in financing, also has the benefit of sophisticated software applications.

The credit monitoring system identifies possible financial difficulties among the customers and acts as an efficient early-warning system, in that it allows us to periodically monitor those customers with whom the group directly or indirectly has amounts outstanding.

The principal functions of the monitoring procedure are the following:

- identify deteriorating positions in order to allow for a more detailed assessment of problems encountered and prompt intervention to resolve any such problems;
- analyse anomalous positions as they develop;
- judge the degree of risk as a whole, in relation to individual customers;
- measure the degree of confidence in customers, in support of review and renewal procedures, and to further identify lending opportunities;
- obtain an overview of the lending made by the bank, through analyses by the organizational unit, geographical area, customer category, and other clusters; and
- permit the formation of judgements of operating units' performance overall, highlighting anomalies and organizational dysfunctions.

Deteriorating positions, and positions of customers with the largest amounts outstanding (the 50 largest customers) are analysed and managed individually, by dedicated offices who work under the Deputy General Manager of Credit.

Customer monitoring is conducted on the basis of analytic models that make use of all available internal and external information. The information available internally is mainly comprised of the information present within the bank's archives; in addition, external information that is reflected in the customer's profile within industry sectors and as a borrower is also considered. Currently, external sources of information include the Bank of Italy's Risks Centre, the Risks Centre's records for smaller loans, the Assilea risks centre, and publicly available company financial information.

The monitoring process also takes into consideration information relating to external events that might have an impact upon the transaction in the future (adverse events and direct banking information). The process allows situations of potential risk to be flagged so that suitable measures can be taken. Positions that the monitoring process highlights as critical are handled in accordance with specific internal

procedures. Reviews of the credit limits for customers making assignments of receivables are conducted in accordance with internal regulations.

Once the sources of information for monitoring have been identified, the analytic model identifies anomalies which warn us that there are apparent difficulties or imbalances.

With regard to Italease Factorit, risk is constantly monitored through the information which we acquire with regard to the receivables, and the position of the principal obligors and guarantors, if any.

Interest rate risk

Exposure to interest rate risk arises out of differences between the dates on which fixed-rate assets and liabilities fall due and differences in the repricing periods for floating-rate assets and liabilities.

We control our interest rate risk by seeking to match the dates on which assets and liabilities with ordinary customers fall due. The risk management process provides for exposure to risk to be assumed in light of probable fluctuations in interest rates, so that the impact of any changes thereto upon both our interest margin and economic value may be assessed.

The different stages of the risk management process are intended to measure our exposure to this kind of risk through gap management techniques, particularly maturity gap techniques, which measure the sensitivity of interest rate margins; and secondly, duration gap and sensitivity analysis indicators, which measure the sensitivity of the economic value of the assets and liabilities in the financial statements, and also off-balance sheet positions.

As at 31 December 2005, the Bank's banking book was slightly exposed to changes in interest rates. A parallel shift upward in the interest rate yield curve by 100 basis points would have exposed the Bank to a risk of loss of €4.16 million of interest margin over a 12-month period; a parallel shift upwards in the interest rate yield curve of 100 basis points would have decreased the value of the Bank's portfolio by €7.37 million.

On the basis of these principles, interest rate risk is calculated and monitored by the risk management unit, through an asset-liability management system, which allows the analysis of the impact of changes to interest rates on the anticipated interest rate (gap analysis) and the economic value of the principal (value analysis). For the purposes of calculating the risk to which assets are exposed, the risk indicator is also calculated as the ratio of the impact on interest margin to regulatory capital, as defined by the Basel Committee.

Interest rate risk is managed through daily monitoring of a number of reports on the behaviour of the financial markets and forecasts regarding future developments on the principal variables. All transactions involving the granting or extinction of loans take account of the findings of these reports.

Liquidity risk

Liquidity management is aimed at ensuring that we are able to pay liabilities as they fall due, and to permit us to enter into new leasing and other commitments.

Liquidity risk is subject to a double control: (i) a strategic control, conducted by the Risk Management Office and the risk management committee, which verifies the level and behaviour of principal liquidity indicators, based on internal models; and (ii) a control upon any misalignment between the funds being obtained and the commitments on the markets with financial counterparties, managed separately for the euro and non-euro liquidity positions. Banca Italease makes use of a number of sources of financing, which include securitisations, bond issues, and financing on the interbank market. Italease Factorit seeks to minimise liquidity risk by maintaining lines of credit for short-term borrowings with a broad base of shareholder banks and other banks and financial institutions.

In 2005, no particularly difficult situations were identified in the Group's overall liquidity or that of other companies of the Group. The Group, in order to address potential situations of financial strain, maintains suitable lines of credit available upon request.

Operating risk

Operating risk is determined by a large number of factors which depend on external events or shortcomings, or errors relating to processes, individuals and systems.

To address this kind of risk, Banca Italease has approved a process for the identification of critical processes and intervention necessary for the mitigation of the connected risk in accordance with the timetable set forth by applicable regulations, in particular Basel II to be implemented prior to the end of 2007.

MANAGEMENT

The following is a summary of certain information concerning the Issuer's management organization, certain provisions of its by-laws (*statuto*) and Italian law regarding corporate governance. This summary is qualified in its entirety by reference to the Issuer's by-laws and/or Italian law, as the case may be, and it does not purport to be complete.

General

The Issuer's management is the responsibility of the board of directors (*Consiglio di Amministrazione*), which can, within the limits prescribed by Italian law, delegate its general authority to an executive committee and/or one or more general managers. The board of directors determines the powers of the chief executive officer. In addition, the Italian Civil Code requires the Issuer to have a supervisory body, the board of statutory auditors (*Collegio Sindacale*).

Board of Directors

Pursuant to Article 14 of its by-laws, Banca Italease is managed by a board of directors which must have no less than nine and no more than 18 members. At the date of this Base Prospectus, its board of directors is comprised of 15 members appointed by the shareholders' meeting of 11 April 2005, for a term of office ending on the date of approval of the financial statements for the year ending 2007.

Five out of 15 members of the board of directors are executives or directors of the Issuer's shareholder banks and all of these directors hold executive or directorship positions at its key shareholder banks.

The following table lists the current directors.

<u>Name</u>	<u>Title</u>	<u>Year of Birth</u>	<u>Year Appointed</u>	<u>Roles Outside the Group</u>
Lucio Rondelli	President ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	1924	2005	—
Ettore Caselli	Vice-President ⁽¹⁾⁽³⁾	1942	2005	General Manager of Banca Popolare dell'Emilia Romagna
Fabio Innocenzi	Vice-President ⁽¹⁾⁽⁴⁾	1961	2005	Chief Executive Officer of Banco Popolare di Verona e Novara
Piero Luigi Montani	Vice-President ⁽¹⁾	1954	2005	Chief Operating Officer of Banca Antonveneta
Massimo Faenza	Chief Executive Officer ⁽¹⁾	1965	2005	—
Maurizio Biliotti	Director ⁽¹⁾	1953	2005	Head of strategic business planning of Banca Popolare di Milano
Carlo Buzio	Director	1950	2005	Head of equity investments at Banca Popolare di Vicenza
Giovanni Cartia	Director ⁽²⁾	1928	2005	President and Chief Executive Officer of Banca Popolare di Ragusa
Spartaco Gafforini	Director ⁽²⁾⁽³⁾⁽⁴⁾	1946	2005	General Manager of Banca Cooperativa Valsabbina
Pasquale Lorusso	Director ⁽²⁾	1945	2005	General Manager of Banca Popolare di Bari

<u>Name</u>	<u>Title</u>	<u>Year of Birth</u>	<u>Year Appointed</u>	<u>Roles Outside the Group</u>
Renato Mastrostefano	Director ⁽²⁾⁽³⁾⁽⁴⁾	1945	2005	Chief Executive Officer of Banca Popolare del Lazio
Nicolò Melzi di Cusano	Director ⁽²⁾	1938	2005	—
Mario Alberto Pedranzini	Director ⁽¹⁾	1950	2005	General Manager of Banca Popolare di Sondrio
Errico Ronzo	Director ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	1948	2005	General Manager of Banco Popolare di Puglia e Basilicata
Pier Giorgio Signorelli	Director	1950	2005	Head of credit division of Gruppo Banca Popolare di Lodi

(1) Member of Executive Committee.

(2) Independent director.

(3) Member of Internal Audit Committee.

(4) Member of Compensation Committee.

The business address for each of the above directors is the registered office of the Issuer.

The directors are elected by a majority vote of the Issuer's shareholders and hold office for a period of up to 3 years, as determined by the resolution appointing them. Directors may be re-elected for consecutive terms.

Pursuant to Article 19 of the by-laws, the management of the Issuer's business is the exclusive responsibility of its directors, who may perform all acts they consider necessary for the achievement of its corporate purpose, except for those actions reserved by law or the by-laws for the shareholders' meeting.

Executive Committee

Pursuant to Article 22 of the by-laws, the board of directors is authorised to establish an Executive Committee and may delegate the authority for certain matters to such Executive Committee, in accordance with the provisions of the by-laws and applicable law. The Executive Committee is currently comprised of nine members and is as shown in the table under "*— Board of Directors*" above.

Internal Audit Committee and Compensation Committee

In accordance with applicable Consob rules, the board of directors passed a resolution on 15 April 2005, to establish an Internal Audit Committee as well as a Compensation Committee, composed of five members each and is as shown in the table under "*— Board of Directors*" above.

Board of Statutory Auditors

General

Pursuant to Italian law and applicable Consob rules, the board of statutory auditors must oversee the Issuer's compliance with the law and the by-laws, verify its adherence to good principles of administration, and assess the adequacy of its internal controls and accounting reporting systems, as well as the adequacy of provisions concerning the supply of information to its subsidiaries. Each shareholder may bring to the attention of the board of statutory auditors facts or acts which are believed by that shareholder to be wrongful. If shareholders collectively representing one fiftieth or more of the Issuer's share capital make certain complaints to the board of statutory auditors, the board of statutory auditors must investigate without delay and must report its findings and recommendations to the shareholders' meeting (which must be convened immediately if the complaint appears to have reasonable basis and there is an urgent need to take action). The board of statutory auditors may report serious breaches by the directors of their duties to the competent court. The board of statutory auditors must also notify Consob of any irregularities found during its review of the Issuer's activities. Consob may report serious

breaches of the duties of the statutory auditors to the competent court. The directors are obliged to inform the board of statutory auditors promptly, and at least quarterly, of material activities and transactions carried out by the Issuer and its subsidiaries, in accordance with the provisions of Article 150 of Italian Decree No. 58 of 24 February 1998, and the by-laws. Any member of the board of statutory auditors may request information on the management from the directors and carry out inspections and audits. Additionally, the board of statutory auditors may, with prior notice to the chairman of board of directors, convene shareholders' meetings, meetings of the board of directors or of the executive committee, and exchange information with the independent auditors. The members of the board of statutory auditors are required to be present at meetings of the board of directors or of the executive committee and at shareholders' meetings. In addition, the board of statutory auditors is required to hold every 90 calendar days meetings for the fulfilment of their duties. Statutory auditors are appointed by the Issuer's shareholders at ordinary shareholders' meetings for a three-years term and may be re-elected for subsequent terms. Ordinary shareholders' meetings also determine the statutory auditors' remuneration for their entire term.

Members of the Board of Statutory Auditors

Pursuant to Article 28 of the by-laws, the board of statutory auditors consists of five auditors and two alternate auditors. The current members of the board of statutory auditors were appointed by the Issuer's shareholders on 11 April 2005 for a term of office ending on the date of approval of the financial statements for the year ending 2007, and are as follows:

Name	Title	Year of Birth
Alfio Poli	Chairman	1935
Luigi Anselmi	Auditor	1941
Pio Bersani	Auditor	1935
Bruno Filippi	Auditor	1938
Lelio Scopa	Auditor	1926
Attilio Guardone	Alternate Auditor	1940
Nicola Tarantino	Alternate Auditor	1956

The business address for each of the above statutory auditors is the registered office of the Issuer.

Appointment and Removal

Members of the board of statutory auditors are elected by the shareholders and may be re-elected. Members of the board of statutory auditors may be removed only for just cause and with the approval of an Italian court. The term of office of the present members of the board of statutory auditors is scheduled to expire at the 2008 shareholders' meeting, which will be called for the purpose of approving the financial statements for the year ending 31 December 2007. Article 28 of the by-laws establishes a list-based voting system for the election of the statutory auditors, with a view to ensuring that minority shareholders may elect two auditors and one alternate auditor. All members of the board of statutory auditors are domiciled at Banca Italease's offices for the duration of their term.

Corporate Governance

The Issuer has modified its governance structure to comply with the self-governance code (*codice di autodisciplina*) of *Borsa Italiana* (the private company that manages the Italian Stock Exchange) established by the corporate governance committee for listed companies. In accordance therewith, on 11 February 2005, the board of directors adopted the following:

- (i) a code ("Procedures for the treatment of price sensitive information") to manage internally and externally the use and disclosure of its documents and information, in particular information regarding "price sensitive" and confidential information by employees and others who work on financial transactions, in line with Article 6 of the governance code;
- (ii) a management conduct code ("Internal Dealing") to govern the information obligations and the limitations regarding certain transactions initiated by the Issuer's directors, administrators

and general managers, or by any other employee which has access to confidential information regarding the Issuer or other companies in the Group and the disclosure of which could affect it or such companies' economic, financial or capital situation, including affecting the price of the listed financial instruments; and

- (iii) a procedure to govern transactions with related parties in order to guarantee the proper and uniform analysis and approval of such transactions ("Procedures for transactions with related parties"). Before making a decision regarding a transaction with a related party, the qualified body will be required to provide information regarding the nature of the relationship, the transaction, its financial terms, procedures followed, and the interest of and risks for the company and other important terms. To ensure that related party transactions are treated fairly and uniformly, the qualified body should request the assistance of one or more independent experts to provide an opinion on the financial conditions, technical aspects and legitimacy of the transaction.

On 17 December 2004, in accordance with the self-governance code, the board of directors appointed Paola Bruno as head of investor relations. On 11 April 2005, shareholders amended certain by-laws regarding the role and the power of the chairman of the board, the managing director, the executive committee and the statutory auditors. On 15 April 2005, the board of directors, in accordance with the self-governance code, agreed to establish an Internal Audit Committee and a Compensation Committee.

Independent Auditors

Italian law requires companies whose shares are listed on an Italian regulated market to appoint a firm of independent auditors who must be registered with the special register provided for by Article 161 of the Consolidated Finance Law (Testo Unico Finanziario) that is mandated to verify: (i) quarterly during the fiscal year, that the company's accounting records have been correctly kept and accurately reflect its activities; and (ii) that the year-end financial statements of Banca Italease S.p.A. and its consolidated year-end financial statements present fairly its financial position and its results of operations in accordance with Italian regulations governing financial statements. The independent auditors express their opinion on the financial statements in a report that may be consulted by the shareholders prior to the relevant shareholders' meeting.

The independent auditors are appointed by the ordinary shareholders' meeting (having taken into account the views of the statutory auditors) for a term of three fiscal years (which may not be renewed more than twice). Their appointment must be notified to Consob. On 11 April 2005, the Issuer re-appointed Deloitte & Touche S.p.A. as its independent auditors for the fiscal years ending 31 December 2005, 2006 and 2007.

Directors' and Statutory Board Members' Ownership of Shares

The directors or statutory auditors and their respective spouses and children did not, as at 31 December 2005, and do not currently, as at the date of this Base Prospectus, directly or indirectly own any equity interests in Banca Italease or the group companies, including any stock options other than as described below. On 6 May 2005, the board of directors resolved to allocate 1,981,500 of the 2,278,315 stock options approved by the Issuer's shareholders at the 11 April 2005 shareholders' meeting to the Issuer's managing director (751,500 stock options) and 15 of its top managers (1,230,000 stock options in the aggregate). All the other stock options (296,815) have been allocated to three senior managers of the Group during the years 2005 and 2006. Each stock option is exercisable for one of the Bank's ordinary shares.

Conflicts of interest

Except as described in this Base Prospectus, as at the date hereof, no member of the board of directors or the board of statutory auditors, and no senior officer, has owned any interest in any transactions that are or were unusual in their nature or conditions and are or were significant to the Issuer's business and there are no potential conflicts of interest between any duties of the members of the

administrative management or supervisory bodies of Banca Italease towards Banca Italease and their private interests and/or other duties.

MAJOR SHAREHOLDERS AND MATERIAL CONTRACTS

Major Shareholders

The following table lists, as at 30 September 2006, the only persons or entities known to be the beneficial owner of more than 2 per cent. of Banca Italease's shares:

Shareholders	%
Gruppo Banco Popolare di Verona e Novara ⁽¹⁾⁽²⁾⁽³⁾	28.07
Gruppo Banca Popolare dell'Emilia Romagna ⁽¹⁾⁽³⁾	7.43
Banca Antonveneta / ABN Ambro Group ⁽¹⁾⁽⁵⁾	7.23
Reale Mutua Assicurazioni ⁽¹⁾	6.69
Banca Popolare di Sondrio ⁽¹⁾	4.25
Fidelity International Limited	2.34
Schroder Investment Management Limited	2.22
Deutsche Asset Management	2.15
DWS Investment GmbH	2.07
FMR Corp.	2.05
Banca Popolare di Milano ⁽¹⁾	2.00
Sub-Total	66.51
Public ⁽⁴⁾	33.49
Total	100%
Total Number of Shares	76,242,627

(1) Parties to the Stability Agreement (See “– Distribution Channels – The Stability Agreement”).

(2) 21,403,002 shares, of which 18,345,402 are held pursuant to the Stability Agreement.

(3) Held through subsidiaries.

(4) Shareholders who hold less than 2.0% of the Bank's share capital.

(5) 5,508,976 shares, of which 3,049,706 are held pursuant to the Stability Agreement.

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

Material contracts

Except as disclosed herein, neither the Issuer nor any of its consolidated subsidiaries has entered into any contracts in the last two years outside the ordinary course of business that have held or may reasonably be expected to have a material effect on their business.

CAPITALISATION

The following table sets out the unaudited consolidated capitalisation of the Issuer as at 30 June 2006. The Issuer's outstanding share capital as at 30 June 2006 was Euro 393,411,955. Since 30 June 2006 there has been no material change in the capitalisation of the Issuer.

	As at June 30, 2006 Actual Unaudited
	<u>(€ thousands)</u>
Debts to banks and customers	
<i>Of which:</i>	
<i>Due to banks</i>	4,115,899
<i>Due to customers related to securitisation and factoring</i>	5,554,406
Bonds	6,562,759
<i>of which:</i>	
<i>Subordinated liabilities:</i>	495,689
Total Debt	<u>16,233,064</u>
Shareholders' equity	
Nominal share capital.....	393,412
Additional paid-in capital	99,422
Reserves (Net of own shares)	150,897
Net income for the period	80,148
Total shareholders' equity (Group)	723,879
Total capitalisation	<u>16,956,943</u>

SELECTED FINANCIAL INFORMATION OF THE ISSUER

The Issuer's annual financial statements as at and for the year ended 31 December 2005 (the "2005 Annual Financial Statements") and its unaudited consolidated semi-annual financial statements as at and for the six months ended 30 June 2006 (the "2006 Interim Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The 2005 Annual Financial Statements include comparative tables showing, *inter alia*:

- (i) historic income statement and balance sheet items as at and for the year ended 31 December 2004, reclassified in accordance with IFRS; and
- (ii) pro forma unaudited income statement items for the year ended 31 December 2004.

The 2006 Interim Financial Statements include comparative tables showing, *inter alia*:

- (a) historic income statement and balance sheet items as at and for the six months ended 30 June 2005, reclassified in accordance with IFRS; and
- (b) pro forma unaudited income statement items for the six months ended 30 June 2005.

The pro forma income statement items referred to in (ii) above have been prepared as if the Issuer's May 2005 merger with Factorit had actually occurred with effect from 1 April 2005 and have also been reclassified in accordance with IFRS, applying with retrospective effect IAS 32 (*Financial Instruments: Disclosure and Presentation*) and IAS 39 (*Financial Instruments: Recognition and Measurement*), which have been applied to the 2005 audit annual financial statements data but not to the IFRS reclassified historic income statement data referred to in (i) and (b) above.

The pro-forma income statement items referred to in (b) above have been prepared as if the Issuer's May 2005 merger with Factorit had actually occurred with effect from 1 January 2005.

Neither the pro forma income statement data nor the IFRS income statement data for the six months ended 30 June 2005 (pro forma or otherwise) have not been audited or reviewed by independent auditors and investors are cautioned not to place undue reliance upon them.

All of the above financial information, in each case together with the accompanying notes and (where applicable) auditors' reports or reviews, are incorporated by reference in this Base Prospectus. See "Documents Incorporated by Reference".

The following tables below present the above financial data in summary form. This information derives from, should be read in conjunction with, and is qualified in its entirety by reference to, the full audited consolidated annual and semi-annual unaudited financial statements of the Issuer as at and for the year ended 31 December 2005 and 2004 and the six months ended 30 June 2006 and 2005, in each case together with the notes thereto.

The historic financial statements of the Bank as at and for the years ended 31 December 2004 and as at and for the six months ended 30 June 2005 have been prepared in accordance with generally accepted accounting standards in Italy issued by the *Consigli Nazionali dei Dottori Commercialisti e Ragionieri*. Such financial statements are not shown below but are incorporated by reference in this Base Prospectus.

All of the above annual consolidated financial statements of the Issuer (other than the 2004 pro forma income statement items referred to above) have been audited by Deloitte & Touche S.p.A., who have also conducted a review in accordance with Article 81 of CONSOB Regulation 11971 of 14 May 1999 on all of the above semi-annual consolidated financial statements of the Issuer (other than the 2005 IFRS reclassified and pro forma income statement items referred to above).

INTERIM UNAUDITED CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT

	As at 31 December 2005	As at 30 June 2006
<i>(Amount in € thousands)</i>		
ASSETS		
Cash and cash equivalents	260	235
Financial assets held for trading	247,492	309,148
Financial assets available for sale	2,059	8,506
Financial assets held through maturity	1,416	1,416
Due from banks	255,130	280,372
Due from customers	12,737,225	14,834,480
Hedging derivatives	96,789	40,024
Equity investments	512	512
Tangible fixed assets	1,296,673	1,130,916
Intangible fixed assets	41,737	53,903
including:		
– Goodwill	34,693	46,300
Tax assets	18,178	15,844
(b) deferred	18,178	15,844
Other assets	967,452	976,506
Total Assets	<u>15,664,923</u>	<u>17,651,862</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
	As at 31 December 2005	As at 30 June 2006
<i>(Amount in € thousands)</i>		
Due to banks	4,166,464	4,115,899
Due to customers	5,201,486	5,554,406
Securities outstanding	5,107,590	6,562,759
Financial liabilities for trading	258,008	312,722
Hedging derivatives	96,442	231,401
Tax liabilities	28,492	30,775
(a) current	28,492	30,775
Other liabilities	84,633	75,594
Provisions for employment termination indemnities	11,667	11,544
Reserves for liabilities and charges	28,551	30,193
(a) pension and similar provisions	24,908	22,922
(b) other provisions	3,643	7,271
Valuation reserves	3,741	3,741
Reserves	88,888	147,182
Share premium	99,422	99,422
Share capital	393,412	393,412
Own shares (–)	(26)	(26)
Minority interests (+/–)	2,685	2,690
Profit (loss) for the period	93,468	80,148
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>15,664,923</u>	<u>17,651,862</u>

	As at 30 June 2005	As at 30 June 2005 Pro Forma (Unaudited)	As at 30 June 2006
<i>(Amount in € thousands)</i>			
INCOME STATEMENT			
Interest and similar income	197,779	213,013	324,720
Interest and similar expense.....	(124,727)	(132,963)	(216,997)
Interest margin	73,052	80,050	107,723
Commissions received.....	108,921	118,685	162,152
Commissions paid.....	(45,119)	(47,480)	(57,407)
Net commissions	63,802	71,205	104,745
Dividends and similar income.....	178	178	3
Net profit (loss) from trading activity.....	489	489	1,750
Net profit (loss) from hedging activity	-	-	(108)
Profit (loss) from sale or repurchase of:.....	-	-	1,387
(d) financial liabilities	-	-	1,387
Total income	137,521	151,922	215,500
Net valuation adjustments for impairment of:	(28,021)	(32,284)	(24,533)
(a) receivables	(28,021)	(32,284)	(24,533)
Net financial income (loss)	109,500	119,638	190,967
Net income from financial and insurance operations	109,500	119,638	190,967
Administrative expenses	(41,618)	(47,134)	(51,894)
(a) personnel expenses	(26,122)	(29,553)	(32,006)
(b) other expenses	(15,496)	(17,581)	(19,888)
Net provisions to reserves for liabilities and charges.....	(119)	(380)	(2,559)
Net valuation adjustments to tangible fixed assets	(3,472)	(3,612)	(2,989)
Net valuation adjustments to intangible fixed assets	(1,748)	(1,763)	(1,617)
Other operating income (expense)	3,215	3,215	819
Operating expenses	(43,742)	(49,674)	(58,240)
Valuation adjustments to goodwill.....	37	(45)	-
Income (loss) from sale of investments	9,962	9,962	2,241
Pre-tax income (loss) from continuing operations	75,757	79,881	134,968
Taxes on income from continuing operations	(32,786)	(34,806)	(54,531)
Net income (loss) from continuing operations	42,971	45,075	80,437
Net income (loss) for the period prior to minority interests ..	42,971	45,075	80,437
(Income) loss accruing to minority interests	(403)	(403)	(289)
Net income (loss) for the period	42,568	44,672	80,148

The proforma data as of 30 June 2005, which have been restated on the basis of IFRS, include the data for Factorit S.p.A. prior to its merger into Banca Italease on 5 May 2005.

The 30 June 2005 data have been restated on the basis of IFRS.

ANNUAL AUDITED CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT

	As at 31 December 2004⁽²⁾	As at 31 December 2005⁽¹⁾
<i>(Amount in € thousands)</i>		
ASSETS		
Cash and cash equivalents	135	260
Financial assets held for trading.....	3,475	247,492
Financial assets available for sale	104	2,059
Financial assets held to maturity	1,414	1,416
Due from banks	50,172	255,130
Due from customers	7,588,279	12,737,225
Hedging derivatives	77,888	96,789
Equity investments	559	512
Tangible fixed assets.....	716,872	1,296,673
Intangible fixed assets	39,437	41,737
including:		
– goodwill	33,859	34,693
Tax assets	476	18,178
(b) deferred	476	18,178
Other assets.....	351,439	967,452
Total Assets	8,830,250	15,664,923

(1) Prepared in accordance with IFRS.

(2) Reclassified in accordance with IFRS without application of IAS 32 and IAS 39.

	As at 31 December 2004 without IAS 32-39	As at 31 December 2005
	(Amount in € thousands)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Due to banks:	1,768,332	4,166,464
Due to customers:	3,854,527	5,201,486
Securities outstanding	2,715,133	5,107,590
Financial liabilities for trading	3,486	258,008
Hedging derivatives	16,561	96,442
Tax liabilities	8,868	28,492
(a) current	8,868	28,492
Other liabilities	33,541	84,633
Provisions for employee termination indemnities	7,118	11,667
Reserves for liabilities and charges	23,191	28,551
(a) pension and similar provisions	23,166	24,908
(b) other provisions	25	3,643
Valuation reserves	3,741	3,741
Reserves	70,651	88,888
Share premium	8,012	99,422
Share capital	270,090	393,412
Own shares (-)		(26)
Minority interests (+/-)	1,350	2,685
Net income (loss) for the period (+/-)	45,649	93,468
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	8,830,250	15,664,923

	As at 31 December 2004 without IAS 32-39	As at 31 December 2005
	(Amount in € thousands)	
INCOME STATEMENTS		
Interest and similar income	307,066	440,371
Interest and similar expense	(193,302)	(264,676)
Interest margin	113,764	175,695
Commissions received	113,072	226,026
Commissions paid	(50,407)	(88,729)
Net commissions	62,665	137,297
Dividends and similar income	4	182
Net income (loss) from trading activity	1,061	1,328
Net income (loss) from hedging activity	–	(4,115)
Income (loss) from sale or repurchase of:	(31)	1,504
(b) financial assets available for sale.....	(31)	1,504
Total Income	177,463	311,891
Net impairment – related valuation adjustments/writebacks:	(39,182)	(58,218)
(a) receivables	(39,182)	(58,218)
Net financial income (loss)	138,281	253,673
Net income from financial and insurance operations	138,281	253,673
Administrative expenses	(59,522)	(96,381)
(a) personnel expenses.....	(38,225)	(58,375)
(b) other expenses	(21,297)	(38,006)
Net provisions to reserves for liabilities and charges	–	(527)
Net valuation adjustments/writebacks on tangible fixed assets	(4,351)	(3,716)
Net valuation adjustments/writebacks on intangible fixed assets	(3,275)	(3,669)
Other operating income (expense).....	980	1,853
Operating Expenses	(66,168)	(102,440)
Income (loss) from equity investments		
Valuation adjustments to goodwill.....	(56)	(278)
Income (loss) from sale of investments	5,425	8,808
Pre-tax income (loss) from continuing operations	77,482	159,763
Taxes on income from continuing operations	(29,651)	(65,676)
Net income (loss) from continuing operations	47,831	94,087
Net income (loss) for the period prior to minority interests	47,831	94,087
(Income) loss accruing to minority interests.....	(2,182)	(619)
Net Income (Loss) for the Period	45,649	93,468

TAXATION

The following is a general summary of current Italian law and practice relating to certain Italian tax considerations concerning the purchase, ownership and disposition of the Notes. It does not purport to be a complete analysis of all tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of prospective beneficial owners of Notes, some of which may be subject to special rules. The following summary does not discuss the treatment of Notes that are held in connection with a permanent establishment or fixed base through which a non-Italian resident beneficial owner carries on business or performs professional services in Italy.

This summary is based upon tax laws and practice of Italy in effect on the date of this Base Prospectus, which may be subject to change potentially with retroactive effect. Law No. 80 of 7 April 2003, which provides for the reform of the Italian tax system, approved by the Italian Parliament on 26 March 2003, delegates the Government to issue legislative decrees within two years from the entry into force of Law No. 80 of 7 April 2003, in order, *inter alia*, to introduce a general reform of the Italian tax treatment of financial income and of taxation of individuals, that may impact on the current tax regime of the Notes, as summarized below. Legislative Decree No. 344 of 12 December 2003, which entered into force on 1 January 2004, introduced the reform of taxation of corporations and of certain financial income, amending Presidential Decree No. 917 of 22 December 1986 (the Italian Income Taxes Consolidated Text). In the near future, the Italian Government may be authorised by the Italian Parliament to amend the tax regime applicable to financial income. In particular, the Italian Government may, *inter alia*, raise the rate applicable to withholding tax on interest payments as well as the rate of the *imposta sostitutiva*. As at the date of this Base Prospectus, the delegation law (pursuant to which the Italian Government would be authorised to amend such regimes) has not been approved by the Italian Parliament.

Prospective Noteholders should consult their tax advisers as to the consequences under Italian tax law, under the tax laws of the country in which they are resident for tax purposes and of any other potentially relevant jurisdiction of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws.

ITALY

Italian Tax Treatment of the Notes - General

Italian Legislative Decree No. 239 of 1 April 1996, as amended and supplemented (“**Decree No. 239**”), regulates the tax treatment of interest, premiums and other income from certain securities issued, *inter alia*, by Italian resident banks (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as “**Interest**”). The provisions of Decree No. 239 only apply to Notes issued by the Issuer with a maturity of eighteen months or more which qualify as *obbligazioni* (bonds) pursuant to Article 12 of Legislative Decree No. 385 of 1 September 1993 and/or as *obbligazioni* (bonds) or *titoli similari alle obbligazioni* (securities similar to bonds) pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented (“**Decree No. 917**”).

Taxation of income

Italian resident Noteholders

Where an Italian resident Noteholder is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the *risparmio gestito regime* – see under “Capital gains tax” below), (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the Notes, accrued during the relevant holding period, are subject to a tax withheld at source, referred to as *imposta sostitutiva*, levied at the rate of 12.5 per cent. If the

Noteholders described under (i) to (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Where an Italian resident Noteholder is a company or similar commercial entity and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva* but must be included in the relevant Noteholder's income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the "status" of the Noteholder, also to IRAP, the regional tax on productive activities).

Where an Italian resident Noteholder is an Italian real estate investment fund to which the provisions of Law Decree No. 351 of 25 September 2001, as subsequently amended, apply, interest, premium and other income relating to the Notes will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund.

Where an Italian resident Noteholder is an open-ended or a closed-ended investment fund or a SICAV and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 12.5 per cent. substitute tax.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by articles 14, 14ter and 14quater, paragraph 1, of Legislative Decree No. 124 of 21 April 1993) and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 11 per cent. substitute tax.

Pursuant to Decree No. 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Economy and Finance (each an Intermediary). An Intermediary must (i) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary 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 the *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 or in a change of the Intermediary with which the Notes are deposited.

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

Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either (i) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with the Republic of Italy; or (ii) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (iii) a Central Bank or an entity which manages, inter alia, the official reserves of a foreign State; or (iv) an institutional investor which is incorporated in a country which allows for a satisfactory exchange of information with the Republic of Italy, even if it does not possess the status of a taxpayer in its own country of residence.

For the purpose of the application of the exemption, the countries which allow for a satisfactory exchange of information with Italy are those listed in Ministerial Decree dated 4 September, 1996, as amended from time to time, which includes, inter alia, all members of the European Union, Australia, Brazil, Canada, Japan and the United States of America, but excludes, inter alia, Switzerland and Cyprus.

The *imposta sostitutiva* will be applicable at the rate of 12.5 per cent. (or at the reduced rate provided for by the applicable double tax treaty, if any) to interest, premium and other income paid to Noteholders who are resident, for tax purposes, in countries which do not allow for a satisfactory exchange of information with Italy.

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of the payments of interest, premium or other income and (i) deposit, directly or indirectly, the Notes with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance and (ii) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree 12 December, 2001, as subsequently amended.

Early Redemption

Notwithstanding the above provisions, Notes issued by the Issuer which fall within the definitions set out above in “Italian Tax Treatment of the Notes – General” and which are redeemed within eighteen months from the date of issue, are subject to an additional amount of tax due from the Issuer at a rate of 20 per cent. in respect of Interest and premium (if any) accrued on the Notes up to the date of the early redemption, pursuant to Article 26, paragraph 1, of Presidential Decree No. 600 of 29 September 1973, as amended.

Notes with an original maturity of less than 18 months

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

Where the Noteholder is (i) an Italian resident individual carrying on a commercial activity, as to Notes connected to the commercial activity carried out, (ii) an Italian resident corporation or a similar Italian commercial entity, (iii) a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected, (iv) an Italian resident commercial partnership or (v) an Italian resident commercial private or public institution, such withholding tax operates as an interim tax payment subject to final assessment. In all other cases, the withholding tax is a final tax payment.

The 27 per cent. withholding tax may be reduced (generally to 10 per cent.) or reduced to zero under certain applicable double tax treaties entered into by Italy, if more favourable, subject to timely filing of required documentation.

Notes that qualify as atypical securities

Interest payments relating to Notes that do not qualify as *obbligazioni* pursuant to Article 12 of Decree No. 385 and are not deemed to fall within the category of *obbligazioni* (bonds) or *titoli similari alle obbligazioni* (securities similar to bonds) pursuant to Article 44 of Decree No. 917, are subject to withholding tax levied at a rate of 27 per cent. (final or on account depending on the “status” and tax residence of the Noteholder). Pursuant to Article 44 of Decree No. 917, for securities to qualify as *titoli similari alle obbligazioni* (securities similar to bonds), they must incorporate an unconditional obligation to pay at maturity an amount not less than that therein indicated.

The 27 per cent. withholding tax may be reduced (generally to 10 per cent.) or reduced to zero under certain applicable double tax treaties entered into by Italy, if more favourable, subject to timely filing of required documentation.

Capital gains tax

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the “status” of the Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company or a similar commercial

entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is an individual holding the Notes not in connection with an entrepreneurial activity and certain other persons, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 12.5 per cent. Noteholders may set-off losses with gains.

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

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

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the *risparmio amministrato regime*). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (ii) an express election for the *risparmio amministrato regime* being timely made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato regime*, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato regime*, the Noteholder is not required to declare the capital gains in the annual tax return.

Any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called *risparmio gestito regime* will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 12.5 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito regime*, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito regime*, the Noteholder is not required to declare the capital gains realised in the annual tax return.

Any capital gains realised by a Noteholder who is an Italian open-ended or a closed-ended investment fund or a SICAV will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 12.5 per cent. substitute tax.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by articles 14, 14ter and 14quater, paragraph 1, of Legislative Decree No. 124 of 21 April, 1993) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 11 per cent. substitute tax.

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Note is connected, from the sale or redemption of Notes traded on regulated markets are not subject to the *imposta sostitutiva*.

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Note is connected, from the sale or redemption of the Notes not traded on regulated markets are not subject to the *imposta sostitutiva* provided that the effective beneficiary: (i) is resident in a country which allows for a satisfactory exchange of information with Italy; or (ii) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (iii) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (iv) is an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of a taxpayer in its own country of residence.

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

If none of the conditions described above is met, capital gains realised by non-Italian resident Noteholders from the sale or redemption of the Notes not traded on regulated markets are subject to the *imposta sostitutiva* at the current rate of 12.5 per cent.

Italian gift tax

According to Article 6, paragraph 5 of Law Decree No. 262 of 3 October 2006 (which amended, *inter alia*, Article 13, paragraph 2 of Law No. 383 of 18 October 2001), a transfer by gift of Notes is subject to registration tax at the following rates:

- 4% on any transfer made to spouses and direct descendants or ancestors on the value exceeding Euro 100,000;
- 6% on any transfer made to relatives up to the fourth degree, to persons related by direct affinity, or persons related by collateral affinity up to the third degree; or
- 8% in all other cases.

The provisions of Article 6 of Decree No. 262 entered into force on 3 October 2006. Such provisions will be terminated retroactively unless converted into law, with or without amendments, within 60 days.

Transfer tax

Pursuant to Italian Legislative Decree No. 435 of 21 November 1997, which partly amended the regime set forth by Royal Decree No. 3278 of 30 December 1923, the transfer of the Notes may be subject to the Italian transfer tax, which is currently payable at a rate between a maximum of €0.0083 and a minimum of €0.00465 per €51.65 (or fraction thereof) of the price at which the Notes are transferred. Where the transfer tax is applied at a rate of €0.00465 per €51.65 (or fraction thereof) of the price at which Notes are transferred, the transfer tax cannot exceed €929.62.

However, the transfer tax does not apply, *inter alia*, to: (i) contracts entered into on regulated markets relating to the transfer of securities, including contracts between the intermediary and its principal or between qualified intermediaries; (ii) off-market transactions regarding securities listed on regulated markets, provided that the contracts are entered into (a) between banks, SIMs or other financial intermediaries regulated by Decree No. 415 of 23 July 1996 as superseded by Decree No. 58 of 24 February 1998, or stockbrokers; (b) between the subjects mentioned in (a) above, on the one hand, and non-Italian residents, on the other hand; (c) between the subjects mentioned in (a) above, even if non-resident in Italy, on the one hand, and undertakings for collective investment in transferable securities, on the other hand; (iii) contracts related to sales of securities occurring in the context of a public offering (*offerta pubblica di vendita*) aimed at the listing on regulated markets, or involving financial instruments

already listed on regulated markets, (iv) contracts regarding securities not listed on a regulated market entered into between the authorised intermediaries referred to in (ii)(a) above, on the one hand, and non-Italian residents on the other hand.

EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also with effect from 1 July 2005, a number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member State have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

The EC Council Directive 2003/48/EC has been implemented in Italy by Legislative Decree No. 84 of 18 April 2005. Pursuant to said decree, Italian paying agents (e.g., banks, SIMs, SGRs, financial companies and fiduciary companies resident in Italy for tax purposes, permanent establishments in Italy of non resident persons as well as any other person resident in Italy for tax purposes paying interest for professional or commercial reasons) shall report to the Italian tax authorities details of interest payments made from 1 July 2005 to individuals which qualify as beneficial owners thereof and are resident for tax purposes in another EU Member State. Such information will be transmitted by the Italian tax authorities to the competent authorities of the State of residence of the beneficial owner of the interest payment by 30 June of the fiscal year following the fiscal year in which said interest payment is made.

Luxembourg

(A) Withholding Tax

All payments of interest and principal by the Paying Agent under the Note can be made free of and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with applicable Luxembourg law. See also “EU Savings Tax Directive” above, which may be applicable in the event the Issuer appoints the Paying Agent as a Luxembourg paying agent in the meaning of the EU Directive on the Taxation of Savings Income.

(B) Taxes on Income and Capital Gains

A holder of a Note who derives income from such Instrument or who realizes a gain on the disposal or redemption thereof will not be subject to Luxembourg taxation on such income or capital gains unless:

- (i) such holder is, or is deemed to be, resident in Luxembourg for Luxembourg tax purposes (or for purposes of the relevant provisions); or
- (ii) such income or gain is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg.

SUBSCRIPTION AND SALE

SUMMARY OF DEALER AGREEMENT

Subject to the terms and on the conditions contained in a Dealer Agreement dated 6 November 2006 (as amended or supplemented) (the “Dealer Agreement”) between the Issuer, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to appoint at any time, in respect of the whole Programme or of a specific Tranche or Tranches of Notes, Dealers different from the Dealer who is the original party to the Dealer Agreement and to terminate at any time the appointment of any Dealer. Therefore the Issuer has no obligation to offer the Notes to the Dealer who is the original party to the Dealer Agreement and may sell Notes directly on its own behalf to such new 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 Issuer through the Dealers, acting as agents of the 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 Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for its 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 Final Terms.

The Issuer has agreed 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.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented, warranted and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer Notes to the public in that Relevant Member State:

- (a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, and ending on the date which is 12 months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual turnover of more than €50,000,000, all as shown in its last annual or consolidated accounts; or
- (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

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

United Kingdom

Each Dealer has represented, warranted and agreed that:

No deposit-taking: in relation to any Notes having 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:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

Financial promotion: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

General compliance: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

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, and that sales of the Notes in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Each of the Dealers has represented and agreed that it will not offer, sell or deliver any Notes or distribute copies of this Prospectus or any other document relating to the Notes in the Republic of Italy except:

- (1) to “**Professional Investors**”, as defined in Article 31.2 of CONSOB Regulation No. 11522 of 2 July 1998 as amended (“**Regulation No. 11522**”), pursuant to Articles 30.2 and 100 of Legislative Decree No. 58 of 24 February 1998 as amended (“**Decree No. 58**”), or
- (2) in any other circumstances where an expressed exemption to comply with the solicitation restrictions provided by Decree No. 58 or Regulation No. 11971 of 14 May 1999, as amended, applies, provided, however, that

any such offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in the Republic of Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993, as amended (“**Decree No. 385**”), Decree No. 58, CONSOB Regulation No. 11522 and any other applicable laws and regulations;
- (b) in compliance with Article 129 of Decree No. 385 and the implementing instructions of the Bank of Italy (“*Istruzioni di vigilanza della Banca d’Italia*”), pursuant to which the issue, offer, sale, 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 aggregate amount and the characteristics of the Notes issued, offered, sold, traded or placed in Italy and their characteristics, applies; and
- (c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

Investors should also note that Article 100-bis of Decree No. 58 affects the transferability of Notes in Italy to the extent that an offer of Notes (or any part of such offer) is made solely to professional investors and such Notes are then transferred in Italy during the period of 12 months from the date of issue of the Notes. Where this occurs, professional investors who sell Notes to non-professional investors may be liable to such non-professional investors for any default by the Issuer in its payment obligations under the Notes if the Issuer is or becomes insolvent, even where the sale by the professional investor took place at the express request of the purchaser. The above provisions will not apply where the professional investor, prior to any such transfer of Notes, delivered to the purchaser an information document containing all such information as is required by CONSOB. As at the date of this Base Prospectus, CONSOB has not implemented any regulations specifying the content of such information document.

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

With the exception of the approval by the CSSF of this Base Prospectus as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg, no action (other than as may be agreed between the Issuer and any Dealer in compliance with all applicable laws and regulations) has been or will be taken in any country or jurisdiction by the Issuer or the Dealer that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands the Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed “General” above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or (in any other case) in a supplement to this Base Prospectus.

GENERAL INFORMATION

- (1) The Issuer has obtained all necessary consents, approvals and authorisations in the Republic of Italy in connection with the establishment of the Programme. The establishment and subsequent updates of this Programme was authorised by resolutions of the Board of Directors of the Issuer passed on 24 June 2005 and on 8 September 2006.
- (2) The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.
- (3) Except as disclosed in this Base Prospectus, there has been no significant change in the financial or trading position of the Issuer or of the Group since 31 December 2005 and no material adverse change in the financial position or prospects of the Issuer or of the Group since 31 December 2005.
- (4) In the last 12 months, except as otherwise described in this Base Prospectus neither the Issuer nor any of its subsidiaries is or has been 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) The auditors of the Issuer are Deloitte & Touche S.p.A., who are part of the *Assirevi* professional organisation and who have audited the Issuer's account, without qualification, in accordance with auditing standards generally accepted in Italy for each of the two financial years ended 31 December, 2005 and 2004.

The auditors of the Issuer have no material interest in the Issuer. The reports of the auditors together with the financial statements (including the Notes thereto), are included or incorporated in the form and context in which they are included and incorporated; the auditors' reports refer to the date they were issued and have to be read, together with the financial statements (including the notes thereto) as at and for the years ended 31 December 2005 and 31 December 2004.

- (6) 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".
- (7) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Common Code, 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 Final Terms.
- (8) For so long as Notes may be issued pursuant to this Base Prospectus, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), at the offices of the Paying Agents and the Listing Agent:
 - (a) the Agency Agreement (which includes the form of the Global Notes, the definitive bearer Notes, the Certificates, the Coupons, the Receipts and the Talons);
 - (b) the Dealer Agreement;
 - (c) the Deed of Covenant;
 - (d) the By-Laws (*Statuto*) of the Issuer;
 - (e) the published annual report and audited accounts of the Issuer for the years ended 31 December 2004 and 31 December 2005 and the audited consolidated annual accounts of the Group for the years ended 31 December 2004 and 31 December

2005 together with the interim accounts as of 30 June 2005 and 30 June 2006 any subsequent semi-annual interim statements;

- (f) each Final Terms for Notes that are listed on the Luxembourg Stock Exchange or any other stock exchange;
 - (g) a copy of this Base Prospectus together with any Supplement to this Base Prospectus or further Base Prospectus; and
 - (h) a copy of the subscription agreement for Notes issued on a syndicated basis that are listed on the Luxembourg Stock Exchange.
- (9) Copies of the latest annual report and consolidated accounts of the Issuer and the latest interim consolidated accounts of the Issuer may be obtained, and copies of the Agency Agreement and the Deed of Covenant will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding.
- (10) The Issuer does not intend to publish any post issuance information in relation to any securities, index or other product underlying the Notes.

REGISTERED OFFICE OF THE ISSUER

Via Cino del Duca 12
20122 Milan
Italy

ARRANGER AND DEALER

Lehman Brothers International (Europe) Ltd
25 Bank Street
London E14 5LE

FISCAL AGENT, PRINCIPAL PAYING AGENT, REGISTRAR AND TRANSFER AGENT

HSBC Bank plc London
8, Canada Square
London E14 5HQ

CALCULATION AGENT

HSBC Bank plc London
8, Canada Square
London E14 5HQ

LUXEMBOURG LISTING AGENT, PAYING AGENT AND TRANSFER AGENT

Kredietbank S.A. Luxembourgeoise
43 Boulevard Royal
L-2955 Luxembourg

AUDITORS TO THE ISSUER

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milan
Italy

LEGAL ADVISERS

To the Issuer

Rucellai & Raffaelli
Via Montenapoleone 18
20121 Milan
Italy

TO THE DEALER

as to English law and Italian law

Clifford Chance Studio Legale Associato
Piazzetta M. Bossi, 3
20121 Milan
Italy

