



**MONTE  
DEI PASCHI  
DI SIENA**  
BANCA DAL 1472

**Banca Monte dei Paschi di Siena S.p.A.  
and  
Monte Paschi Ireland Limited**

**€50,000,000,000**

**Debt Issuance Programme**

**Unconditionally and irrevocably guaranteed by**

**Banca Monte dei Paschi di Siena S.p.A.**

Under this €50,000,000,000 Debt Issuance Programme (the “Programme”), Banca Monte dei Paschi di Siena S.p.A. (in its capacity as an issuer of Notes under the Programme (“BMPS”)) and Monte Paschi Ireland Limited (in its capacity as an Issuer of Notes under the Programme (“MPIL”)) together with any of BMPS’s subsidiaries subsequently appointed as an issuer (each a “New Issuer” and together with BMPS and MPIL, the “Issuers” and each an “Issuer”) may from time to time issue notes (the “Notes”) denominated in any currency agreed between the relevant Issuer and the relevant Dealer (as defined below).

The payments of all amounts due in respect of Notes issued by MPIL or any New Issuer will be unconditionally and irrevocably guaranteed by BMPS (in its capacity as such, the “Guarantor”). Upon the appointment of any New Issuer, a supplement (as defined in article 13 of the Luxembourg act dated 10 July 2005 on prospectuses for securities) to this Base Prospectus (or a new base prospectus issued in replacement for this Base Prospectus) will be prepared, describing the New Issuer.

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €50,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein. This Base Prospectus replaces the base prospectus dated 14 December, 2007 in respect of any Notes issued after the date hereof.

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

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

Application for approval has been made to the *Commission de Surveillance du Secteur Financier* (the “CSSF”) in its capacity as competent authority under the Luxembourg Act dated 10th July, 2005 on prospectus for securities to approve this document as a Base Prospectus and application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange’s regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under “Terms and Conditions of the Notes”) of Notes will be set out in a final terms document (the “Final Terms”) which, with respect to Notes to be listed on the Luxembourg Stock Exchange, will be filed with the CSSF.

The minimum denomination of each Note issued by MPIL and each Note (issued by any Issuer) that is admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €50,000 (or if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

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

The relevant Issuer and the Guarantor (where the relevant Issuer is other than BMPS) may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplement to the Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

In certain circumstances, payments of interest relating to the Notes are subject to a deduction by way of “*imposta sostitutiva*” or withholding tax as more fully set out in Condition 8 of the Terms and Conditions and in “Italian Taxation”.

**Arranger**

**The Royal Bank of Scotland**

**Dealers**

**Barclays Capital**

**Citigroup**

**Deutsche Bank**

**J.P. Morgan**

**MPS Capital Services Banca per le Imprese S.p.A**

**The Royal Bank of Scotland**

**Calyon**

**Credit Suisse**

**HSBC**

**Merrill Lynch International**

**Société Générale Corporate & Investment Banking**

**UBS Investment Bank**

## Responsibility Statement

Each of BMPS and MPIL accepts responsibility for the information contained in this Base Prospectus (but for the avoidance of doubt MPIL does not accept responsibility for any information in this Base Prospectus relating to BMPS or any other Issuer other than MPIL). To the best of the knowledge of each of BMPS and MPIL (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus comprises two base prospectuses; a base prospectus for the issuance of Notes under the Programme by BMPS and a base prospectus for the issuance of Notes under the Programme by MPIL. Each base prospectus constitutes a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the “Prospectus Directive”).

Copies of the Final Terms will be available from the registered office of the relevant Issuer and the specified office set out below of each of the Paying Agents (as defined below).

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

The Dealers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by any Issuer or the Guarantor in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by each of BMPS or MPIL in connection with the Programme.

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

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by either BMPS or MPIL or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of any Issuer and/or the Guarantor and/or the Group. “Group” means BMPS and its Subsidiaries (as defined in the Agency Agreement). Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of BMPS, MPIL or any of the Dealers to any person to subscribe for or to purchase any Notes.

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

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

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

All references in this document to “U.S. dollars”, “U.S.\$” and “\$” refer to the currency of the United States of America and references to “euro”, “€” and “Euro” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

Unless otherwise indicated, the financial information contained in this Base Prospectus has been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Unless otherwise indicated, any reference in this Base Prospectus to “Consolidated Financial Statements” is to the consolidated financial statements of the Group as at and for the years ended 31st December, 2006 and 2007 audited by KPMG S.p.A., independent accountants and incorporated by reference in this Base Prospectus.

The Consolidated Financial Statements are denominated in euro.

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

**Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

## **RISK FACTORS**

*BMPS and MPIL, as the case may be, believe that the following factors may affect their ability to fulfil their obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and BMPS and MPIL, as the case may be, are not in a position to express a view on the likelihood of any such contingency occurring.*

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

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

### **Factors that may affect the Issuers' ability to fulfil their obligations under Notes issued under the Programme**

#### ***Competition***

In recent years, the Italian banking sector has been characterised by ever increasing competition which, together with the low level of interest rates, caused a sharp reduction in the differential between borrowing and lending rates, and the subsequent difficulties in keeping a positive growth trend in interest rate margin.

#### ***Risks connected with geographical concentration of business***

BMPS's business is concentrated in Italy and in the other major countries which are members of the Organisation for Economic Co-operation and Development and MPIL's business is concentrated in Ireland. Although the Group has a number of investments and subsidiaries with substantial business in other countries, a downturn in demand in the Italian economy could have a material adverse effect on the business of each of BMPS and MPIL.

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

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

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

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

### *Antonveneta Acquisition, Clearance from Regulatory Authorities*

On 8th November 2007, the Board of Directors of BMPS and Banca Santander authorised the signing of an agreement for the acquisition by BMPS of Banca Antonveneta S.p.A.

The acquisition, which the parties aim to finalise within the minimum technical time required, will be subject to the authorisations required by applicable laws from the Italian Antitrust and banking supervisory authorities.

The acquisition of Banca Antonveneta S.p.A. represents an important opportunity for BMPS given its industrial appeal, lean governance and size. As of the date of this Base Prospectus, the management of BMPS cannot give any assurance as to the achievement of the strategic aims connected with the acquisition or of the successful integration of Banca Antonveneta S.p.A. into the BMPS Group. Further, any factors which could have an adverse effect on the Antonveneta Group's business would also potentially adversely affect BMPS's business and results of operations.

### *Reduced liquidity in the global credit market*

Following concerns over U.S. sub-prime residential mortgage loans and related securities, the credit markets (primarily in the U.S. and Europe) have been experiencing substantial dislocations, liquidity disruptions and market corrections whose scope, duration, severity and economic effect remain uncertain. This global liquidity crisis has had, and may continue to have, an adverse effect on markets in the U.S., Europe and Asia, and has affected conditions in the European economies, on which the Issuers' business depends.

The value of a number of the investment securities that each Issuer holds is sensitive to the volatility of the credit markets and accordingly, such investment securities may be adversely affected by future developments in the credit markets. Adverse and continued constraints in the supply of liquidity may adversely affect the cost of funding the business and extreme liquidity constraints may limit growth possibilities. An inability to access funds or to access the markets from which it raises funds may create stress on an Issuer's ability to finance its operations adequately. A dislocated credit environment compounds the risk that funds will not be available at favourable rates. In addition, the continued liquidity crises in other affected economies may create difficulties for each Issuers' borrowers to refinance or repay loans to the Issuer, which would result in deterioration of the credit quality of the Issuer's loan portfolio and potentially increase the Issuer's non performing loan levels.

### *Soundness of financial institutions*

The BMPS Group is exposed to many different industries and counterparties in the normal course of its business, but its exposure to counterparties in the financial services industry is particularly significant. This exposure can arise through trading, lending, deposit-taking, clearance and settlement and many other activities and relationships. These counterparties include brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Many of these relationships expose the BMPS Group to credit risk in the event of default of a counterparty or client. In addition, the BMPS Group's credit risk may be exacerbated when the collateral it holds cannot be realised or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure it is due. Many of the hedging and other risk management strategies utilised by the BMPS Group also involve transactions with financial services counterparties. The potential of insolvency of these counterparties may impair the effectiveness of the BMPS Group's hedging and other risk management strategies.

### *Market declines and volatility*

The results of each Issuer are affected by general economic, financial and other business conditions. During a recession, there may be less demand for loan products and a greater number of BMPS' customers may default on their loans or other obligations. Interest rate rises may also have an impact on the demand for mortgages and other loan products. The risk arising from the impact of the economy and business climate on the credit quality of the Issuers' borrowers and counter-parties can affect the overall credit quality and the recoverability of loans and amounts due from counterparties.

### ***Protracted market declines***

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

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

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

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

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

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this 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 Issuers*

An optional redemption feature of Notes is likely to limit their market value. During any period when each of BMPS and MPIL 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.

Each of BMPS and MPIL 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.

### *Early Redemption of the Notes for tax reasons*

In the event that each of BMPS and MPIL 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, each of BMPS and MPIL may redeem all outstanding Notes in accordance with the Terms and Conditions of the Notes.

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

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

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

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

### *Partly-paid Notes*

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



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

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

### *Inverse Floating Rate Notes*

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

### *Fixed/Floating Rate Notes*

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

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

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

### *BMPS's obligations under Subordinated Notes are subordinated*

BMPS's obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority of payment to Senior Liabilities. "Senior Liabilities" means any unconditional, unsubordinated and unsecured obligations of BMPS. Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of his investment should BMPS become insolvent.

### *Under certain conditions, interest payments under Subordinated Notes must be deferred*

If BMPS's Total Amount of Regulatory Capital (as defined in Condition 2(c)(ii)) is, on a consolidated or unconsolidated basis, less than the aggregate minimum credit risk capital requirements of BMPS, as provided by the then applicable Bank of Italy's Regulations, on a consolidated or unconsolidated basis, or upon payment of interest and/or repayment of principal under the Tier III Subordinated Notes, BMPS's Total Amount of Regulatory Capital becomes, on a consolidated or unconsolidated basis, less than the aggregate minimum credit risk capital requirements of BMPS, as provided by the then applicable Bank of Italy's Regulations, on a consolidated or unconsolidated basis, then payment of any sums due with respect to interest and/or principal on the Tier III Subordinated Notes will be entirely suspended and deferred, and any such suspension and deferral to pay shall not constitute a default of BMPS.

BMPS will pay all deferred interest, and interest on that deferred interest, on all Tier III Subordinated Notes on the next scheduled Interest Payment Date that occurs in respect of any issue of Tier III Subordinated Notes after it no longer would be required to defer interest under the terms described above.

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

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

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

#### *Modification and waivers*

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

#### *EU Savings Directive*

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required from 1st July, 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

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

#### *Change of law*

Except for Conditions 2(b), (c), (d) and (e), the Terms and 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 each of BMPS and MPIL*

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. 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 each of BMPS and MPIL will discharge its payment obligations under the Notes by making payments to the common depositary 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 Global Note. Each of BMPS and MPIL has no responsibility or liability for the records relating to, or payment made in respect of, beneficial interests in the Global Notes.

*Notes where denominations involve integral multiples: definitive Notes*

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

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

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

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

*The secondary market generally*

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

*Exchange rate risks and exchange controls*

Each of BMPS and MPIL 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.

#### *CDO/subprime mortgage exposure*

The Group's exposure is limited to €50 million on the CDO/subprime mortgage sector, substantially offset by a hedging structure.

#### ***Legal investment considerations may restrict certain investments***

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

#### **Risk Factors relating to each Issuer incorporated in Ireland (such as MPIL) (each an “Irish Issuer”)**

##### ***Unsecured Status/Claims of Creditors under Irish Law***

Under Irish law, upon an insolvency of an Irish company such as MPIL, when applying the proceeds of assets that may have been realised in the course of a liquidation or receivership, the claims of a limited category of preferential creditors will take priority. These preferred claims include the remuneration, costs and expenses properly incurred by any examiner of the company (which may include any borrowings made by an examiner to fund the company's requirements for the duration of his appointment) which have been approved by the Irish courts (see “Examinership” below).

The Notes issued by any Irish Issuer will, unless otherwise indicated in the applicable Final Terms, be unsecured obligations of such Issuer and therefore will not rank in priority to the obligations of the Issuer to any other creditors on an insolvency. Secured and certain unsecured creditors will rank in priority to the holders of such Notes. The Noteholders may take comfort from their ranking in priority ahead of the equity shareholders. As of the date of the Base Prospectus, MPIL has equity capital (comprised of share capital, capital contribution and capital contribution reserve fund) totaling €303,270,265.

The Irish Revenue Commissioners may also attach any debt due to an Irish tax resident company by another person in order to discharge any liabilities of the company in respect of outstanding tax whether the liabilities are due on its own account or as an agent or trustee. The scope of this right of the Irish Revenue Commissioners has not yet been considered by the Irish courts and it may override the rights of holders of security (whether fixed or floating) over the debt in question.

##### ***Examinership***

Examinership is a court procedure available under the Irish Companies (Amendment) Act 1990, as amended to facilitate the survival of Irish companies in financial difficulties.

An Irish Issuer, the directors of such Irish Issuer, a contingent, prospective or actual creditor of such Irish Issuer, or shareholders of such Irish Issuer holding, at the date of presentation of the petition, not less than one-tenth of the voting share capital of the Irish Issuer are each entitled to petition the court for the appointment of an examiner. The examiner, once appointed, has the power to set aside contracts and arrangements entered into by the company after his appointment and, in certain circumstances, can avoid a negative pledge given by the company prior to his appointment. Furthermore, he may sell assets the subject of a fixed charge. However, if such power is exercised he must account to the holders of the fixed charge for the amount realised and discharge the amount due to them out of the proceeds of sale.

During the period of protection, the examiner will compile proposals for a compromise or scheme of arrangement to assist the survival of the company or the whole or any part of its undertaking as a going concern. A scheme of arrangement may be approved by the Irish High Court when at least one class of creditors has voted in favour of the proposals and the Irish High Court is satisfied that such proposals are fair

and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests would be impaired by implementation of the scheme of arrangement.

In considering proposals by the examiner, it is likely that secured and unsecured creditors would form separate classes of creditors. The primary risks to the holders of Notes issued by an Irish Issuer if an examiner were to be appointed to such Irish Issuer are as follows:

- 1 the potential for a scheme of arrangement to be approved involving the writing down of the debt owed by the Irish Issuer to the Noteholders;
- 2 the potential for the examiner to seek to set aside any negative pledge in the Notes prohibiting the creation of security or the incurring of borrowings by the relevant Irish Issuer to enable the examiner to borrow to fund the Irish Issuer during the protection period; and
- 3 in the event that a scheme of arrangement is not approved and the Irish Issuer subsequently goes into liquidation, the examiner's remuneration and expenses (including certain borrowings incurred by the examiner on behalf of the Irish Issuer and approved by the Irish High Court) will take priority over the moneys and liabilities which from time to time are or may become due, owing or payable by the Irish Issuer to the Noteholders.

#### ***Status of investment in Notes***

An investment in any Notes does not have the status of a bank deposit and is not within the scope of the Deposit Protection Scheme operated by the Central Bank of Ireland nor would the issuer of any Notes covered by notice BSD C 01/02 be regulated by the Central Bank of Ireland arising from the issue of any Notes in compliance with that notice or otherwise.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have been previously published or are published simultaneously with this Base Prospectus shall be incorporated in, and form part of, this Base Prospectus:

- (a) the consolidated audited annual financial statements of BMPS for the financial year ended 31st December, 2006 and the consolidated audited annual financial statements of BMPS for the financial year ended 31st December, 2007 contained in the annual report as at 31st December, 2007 (see cross-reference table below);
- (b) the auditors' report for BMPS for each of the financial years ended 31st December, 2006 and 31st December, 2007;
- (c) the auditors' report and audited annual financial statements of MPIL for each of the financial years ended 31st December, 2006 and 31st December, 2007 contained in the 2006 Financial Statements and the 2007 Financial Statements respectively (see cross-reference table below);
- (d) the interim consolidated financial statements (subject to limited review by the auditors) for the six months ended 30th June, 2008 of BMPS; and
- (e) the interim consolidated financial statements for the nine months ended 30th September, 2008 of BMPS.

### Cross-reference table

Please find below the relevant page references in respect of each of the following financial statements:

	<b>BMPS</b>			<b>MPIL</b>	
	<b>Consolidated Financial Statements 2006 Audited Annual Financial Statements for 12 months ended 31st December, 2006</b>	<b>Consolidated Financial Statements 2007 Audited Annual Financial Statements for 12 months ended 31st December, 2007</b>	<b>Interim Financial Statements for the nine months ended 30th September, 2008</b>	<b>Financial Statements 2006 Audited Annual Financial Statements for 12 months ended 31st December, 2006</b>	<b>Financial Statements 2007 Audited Annual Financial Statements for 12 months ended 31st December, 2007</b>
Balance Sheet	162-163	4-5	12-13	9	9
Income Statement	164-165	6	10-11	7	7
Notes to the Financial Statements	175-499	11-317	66-73	17-34	19-42
Audit Report	Seperate Document (see (b) above)	Seperate Document (see (b) above)	N/A	5-6	5-6
Cash Flow Statement	166-167	7-8	74-75	10	10

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the office of BMPS and MPIL as set out at the end of this Base Prospectus. In addition, such documents will be available free of charge from the principal office in Luxembourg of Dexia Banque Internationale à Luxembourg, société anonyme (the "Luxembourg Listing Agent") for Notes admitted to the Official List and to trading on the Luxembourg Stock Exchange's regulated market. This Base Prospectus and the documents incorporated by reference herein have been filed with the Luxembourg Stock Exchange and will also be published on the Luxembourg Stock Exchange's website ([www.bourse.lu](http://www.bourse.lu)). Information contained in the documents

incorporated by reference other than the information listed in the cross-reference table above is for information purposes only.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

Each Issuer (to the extent relevant to it) and the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of the Notes to be listed on the Luxembourg Stock Exchange.

## GENERAL DESCRIPTION OF THE PROGRAMME

Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” below shall have the same meanings in this summary.

Issuers:	Banca Monte dei Paschi di Siena S.p.A. (“BMPS”) Monte Paschi Ireland Limited (“MPIL”)
New Issuer:	Any subsidiary of BMPS appointed as an issuer of Notes under the Programme Agreement pursuant to a letter of accession in the form provided in the Programme Agreement, a deed of accession and such other documents as are required under the Programme Agreement.
Guarantor:	BMPS (in the case of issues of Notes other than by BMPS).
Description:	Debt Issuance Programme
Arranger:	The Royal Bank of Scotland plc
Dealers:	Barclays Bank PLC Calyon Citigroup Global Markets Limited Credit Suisse Securities (Europe) Limited Deutsche Bank AG, London Branch HSBC Bank plc J.P. Morgan Securities Ltd. Merrill Lynch International MPS Capital Services Banca per le Imprese S.p.A. Société Générale The Royal Bank of Scotland plc UBS Limited  and any other Dealers appointed in accordance with the Programme Agreement (as defined under “Subscription and Sale”).
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “Subscription and Sale”), including the following restrictions applicable at the date of this Prospectus.  <b>Notes (where the relevant Issuer is not BMPS) having a maturity of less than one year</b>  Notes (where the relevant Issuer is not BMPS) having a maturity of less than one year will constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see “ <i>Subscription and Sale</i> ”. In addition, in the case of such Notes issued by MPIL, MPIL shall comply with notice BSD C01/2 issued by the Irish Financial Services Regulatory Authority (as may be amended, supplemented, replaced or otherwise superseded from time to time).
Issuing and Principal Paying Agent:	Citibank, N.A.



Programme Size:	Up to €50,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuers and the Guarantor may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between the relevant Issuer, the Guarantor (where the relevant Issuer is not BMPS) and the relevant Dealer.
Redenomination:	The applicable Final Terms may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 4.
Maturities:	Such maturities as may be agreed between the relevant Issuer, the Guarantor (where the relevant Issuer is not BMPS) and the relevant Dealer, subject to, in the case of Notes issued by MPIL, such Notes having a minimum maturity of one year (unless MPIL complies with notice BSD C01/02 issued by the Irish Financial Services Regulatory Authority (as may be amended, supplemented, replaced or otherwise superseded from time to time)), and otherwise such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency.  Unless otherwise permitted by current laws, regulations, directives and/or the Bank of Italy's requirements applicable to the issue of Subordinated Notes, (i) Lower Tier II Subordinated Notes must have a minimum maturity of five years (or, if issued for an indefinite duration, the redemption may only occur upon five years' prior written notice after the date of issue) and (ii) Upper Tier II Subordinated Notes must have a minimum maturity of 10 years.
Issue Price:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer form as described in "Form of the Notes".
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined: <ul style="list-style-type: none"> <li>(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 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series; or</li> <li>(ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or</li> </ul>

(iii) on such other basis as may be agreed between the relevant Issuer and the relevant Dealer.

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

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

**Linked Notes:** Notes may be issued under the Programme which are either Credit Linked Notes or Equity Linked Notes. The specific terms of any linked Notes will be set out in a supplement to this Base Prospectus and/or the applicable Final Terms.

Credit Linked Notes may be principal protected securities (in which the relevant obligation to pay interest is linked to the credit of one or more reference entities) and/or full securities (i.e. securities whereby the relevant Issuer may redeem either at a cash redemption amount or physically by delivering deliverable obligations upon the occurrence of certain events relating to the credit of one or more reference entities).

Equity Linked Notes may be either cash settled (in which payments of principal will be calculated by reference to the value of the underlying shares, as will be set out in the applicable Final Terms) and/or physically delivered equity securities (in which the relevant Issuer will deliver a specific number of the underlying shares in respect of such securities).

**Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:** Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.

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

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

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

**Redemption:** The applicable Final Terms (other than in relation to Subordinated Notes) will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer and/or the Noteholders. The terms of any such redemption, including notice periods, any relevant conditions to be satisfied and the relevant redemption dates and prices will be indicated in the applicable Final Terms.

The redemption of Upper Tier II Subordinated Notes shall always be subject to the prior approval of the Bank of Italy, such approval being

dependent on BMPS maintaining its minimum capital requirements (*patrimonio di vigilanza*) as prescribed in the Bank of Italy's Regulations immediately following redemption of the Upper Tier II Subordinated Notes. If such approval is not given on or prior to the relevant redemption date, BMPS will re-apply to the Bank of Italy for its consent to such redemption forthwith upon its having gained, by whatever means, such required minimum capital. BMPS will use its best endeavours to maintain such required minimum capital and to obtain such approval. Amounts that would otherwise be payable on the due date will continue to bear interest as provided in the Conditions and the Agency Agreement.

The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.

Notes having a maturity of less than one year are subject to restrictions on their denomination and distribution, see "*Certain Restrictions – Notes (where the relevant Issuer is not BMPS)*" above.

Denomination of Notes:

Notes will be issued in such denominations as may be agreed between the relevant Issuer, the Guarantor (where the relevant Issuer is not BMPS) and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain Restrictions – Notes (where the relevant Issuer is not BMPS) having a maturity of less than one year*" above, and save that the minimum denomination of each Note issued by MPIL and each Note issued by an Issuer other than MPIL that is admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €50,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Taxation:

All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction, subject as provided in Condition 8. In the event that any such deduction is made, the Issuer or, as the case may be, the Guarantor (where the relevant Issuer is other than BMPS) will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.

As more fully set out in Condition 8, BMPS in its capacity as Issuer or Guarantor shall not be liable in certain circumstances to pay any additional amounts to holders of the Notes with respect to any payment, withholding or deduction pursuant to Italian Legislative Decree No. 239 of 1st April, 1996 (as amended or supplemented) and related regulations of implementation which have been or may subsequently be enacted ("*Legislative Decree 239*") on account of *imposta sostitutiva* as defined therein in relation to interest payable in respect of any Notes.

Negative Pledge:

None.

Cross Default:

The terms of the Senior Notes will contain a cross default provision as further described in Condition 10. Subordinated Notes will not have the benefit of the cross default.

Status of the Senior Notes:	The Senior Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the relevant Issuer and will rank <i>pari passu</i> without any preference or priority among themselves and (subject to any applicable statutory exceptions) equally with all other present and future unsecured and unsubordinated obligations of the relevant Issuer.
Subordination:	Payments in respect of the Subordinated Notes will be subordinated as described in Condition 2. Unless otherwise indicated in the applicable Final Terms, Subordinated Notes may only be issued by BMPS.
Guarantee:	Each Tranche of Notes issued by MPIL or a New Issuer will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under such guarantee in respect of Senior Notes will be direct, unconditional and unsecured obligations of the Guarantor and will rank <i>pari passu</i> without any preference or priority among themselves and (subject to any applicable statutory exceptions) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor.
Listing and admission to trading:	<p>Application has been made to the CSSF to approve this document as a base prospectus and application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Notes may also be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the relevant Issuer, the Guarantor (where the relevant Issuer is not BMPS) and the relevant Dealer in relation to each Series. Notes which are neither listed nor admitted to trading on any market may also be issued.</p> <p>The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.</p>
Rating:	The rating of Senior Notes to be issued under the Programme may be specified in the applicable Final Terms.
Governing Law:	The Notes will be governed by, and construed in accordance with, English law, except Conditions 2(b), (c), (d) and (e) which shall be governed by, and construed in accordance with, Italian law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom, Italy and Ireland) and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "Subscription and Sale".
Limited Recourse:	Payments of principal and interest in respect of any series of limited recourse Notes may, if so specified in a supplement to this Base Prospectus and/or in the applicable Final Terms, be restricted upon the occurrence of any event described in a supplement to this Base Prospectus and/or in the applicable Final Terms, as the case may be.

## FORM OF THE NOTES

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

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

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

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

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

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days’ written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein or (ii) only upon the occurrence of an Exchange Event. For these purposes, “Exchange Event” means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing or (ii) the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

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

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

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

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

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

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 10. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then the Global Note will become void at 8.00 p.m. (London time) on such day. At the same time, holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the relevant Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the “Deed of Covenant”) dated 29th January 2009 executed by the relevant Issuer.

## APPLICABLE FINAL TERMS

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

[Date]

### [Banca Monte dei Paschi di Siena S.p.A./Monte Paschi Ireland Limited]

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

[Guaranteed by Banca Monte dei Paschi di Siena S.p.A.]

under the €50,000,000,000

Debt Issuance 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 29th January 2009 and must be read in conjunction with such Base Prospectus which constitutes 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. Full information on the Issuer[, the Guarantor] 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 is available for viewing at the registered office of the Issuer and on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and copies may be obtained from the Agent at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.

*[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]. 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 29th January 2009 which constitutes 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 are attached hereto. Full information on the Issuer[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus dated 29th January 2009 and [original date]. Copies of such Base Prospectuses are available for viewing at the registered office of the Issuer and on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and copies may be obtained from the Agent at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.

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

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

- |                 |   |
|-----------------|---|
| 1. (i) Issuer:  | [Banca Monte dei Paschi di Siena S.p.A./Monte Paschi Ireland Limited] |
| (ii) Guarantor: | [Banca Monte dei Paschi di Siena S.p.A./Not Applicable]               |

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 of Tranche: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] *(in the case of fungible issues only, if applicable)*]
6. (i) Specified Denominations: [ ]  
*(Note – where multiple denominations above [€50,000] or equivalent are being used the following sample wording should be followed: “[€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]. No Notes in definitive form will be issued with a denomination above [€99,000].”)*  
*(N.B. If an issue of Notes by an Issuer other than MPIL is (i) NOT admitted to trading on a European Economic Area Exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the [€50,000] minimum denomination is not required. For the avoidance of doubt, in the case of Notes issued by MPIL, the [€50,000] minimum denomination will be required).*
- (ii) Calculation Amount: [ ]  
*(If only one Specified Denomination, insert the Specified Denomination.  
If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. (i) Issue Date: [ ]  
(ii) Interest Commencement Date: [ ]
8. Maturity Date: [Fixed rate – specify date/  
Floating rate – Interest Payment Date falling in or nearest to [specify month]]  
*(Unless otherwise permitted by current laws, regulations, directives and/or the Bank of Italy’s requirements applicable to the issue of Subordinated Notes by BMPS, (i) Lower Tier II Subordinated Notes must have a minimum maturity of five years*



and (ii) Upper Tier II Subordinated Notes must have a minimum maturity of 10 years. Furthermore, in the case of Notes issued by MPIL, such Notes must have a minimum maturity of one year (unless MPIL complies with notice BSD C01/02 issued by the Irish Financial Services Regulatory Authority (as may be amended, supplemented, replaced or otherwise superseded from time to time)).

9. Interest Basis: [ ] per cent. Fixed Rate]  
[[LIBOR/EURIBOR] +/- [ ] per cent. Floating Rate]  
[Zero Coupon]  
[Index Linked Interest]  
[Dual Currency Interest]  
[specify other]  
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
[Index Linked Redemption]  
[Dual Currency Redemption]  
[Partly Paid]  
[Instalment]  
[specify other]  
(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply).
11. Change of Interest Basis or Redemption/Payment Basis: [Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]
12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]
13. [(i)] Status of the Notes: [Senior Notes/Tier III Subordinated Notes/Lower Tier II Subordinated Notes/Upper Tier II Subordinated Notes] [The Conditions contemplate that only BMPS will issue Subordinated Notes]
- [(ii)] Status of Guarantee: Senior]
- [(i)/(ii)] Date of [Board] approval for issuance of Notes [and Guarantee] obtained: [ ] (N.B. Only required 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 subparagraphs of this paragraph)

- (i) Rate(s) of Interest for Fixed Rate Notes: [ ] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear]  
*(If payable other than annually, consider amending Condition 5)*
- (ii) Interest Payment Date(s): [[ ] in each year up to and including the Maturity Date]/[specify other]]  
*(NB: This will need to be amended in the case of a long or short coupons)*
- (iii) Fixed Coupon Amount(s): [ ] per Calculation Amount  
*(Applicable to Notes in definitive form)*
- (iv) Broken Amount(s): [ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]  
*(Applicable to Notes in definitive form)*
- (v) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or specify other]
- (vi) Determination Date(s): [ ] in each year  
*[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.]*  
*NB: This will need to be amended in the case of regular interest payment dates which are not of equal duration.*  
*(NB: Only relevant where Day Count Fraction is Actual/Actual (ICMA))*
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]
16. Floating Rate Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ specify other]]
- (iii) Additional Business Centre(s): [ ]
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/specify other]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ]
- (vi) Screen Rate Determination: [Applicable/Not Applicable]
- Reference Rate: [ ]  
*(Either LIBOR, EURIBOR or other, although*

*additional information is required if other – including fallback provisions in the Agency Agreement)*

- Interest Determination Date(s): [ ]  
*(Second London business day prior to the start of each Interest Period if LIBOR (other than sterling or euro LIBOR), first day of each Interest Period if sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
  
- Relevant Screen Page: [ ]  
*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
  
- (vii) ISDA Determination: [Applicable/Not Applicable]
  
- Floating Rate Option: [ ]
  
- Designated Maturity: [ ]
  
- Reset Date: [ ]
  
- (viii) Margin(s): [+/-] [ ] per cent. per annum
  
- (ix) Minimum Rate of Interest: [ ] per cent. per annum
  
- (x) Maximum Rate of Interest: [ ] per cent. per annum
  
- (xi) Day Count Fraction: [Actual/Actual (ISDA)  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
30E/360 (ISDA)  
Other]  
*(See Condition 5 for alternatives)*
  
- (xii) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [ ]
  
- 17. Zero Coupon Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
  
- (i) Accrual Yield: [ ] per cent. per annum
  
- (ii) Reference Price: [ ]
  
- (iii) Any other formula/basis of determining amount payable: [ ]
  
- (iv) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 7(e)(iii) and 7(j) apply/specify other]

*(Consider applicable day count fraction if not U.S. dollar denominated)*

18. Index Linked Note Provisions:

[Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

*(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply).*

(i) Index/Formula:

[give or annex details]

(ii) Calculation Agent:

[give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)]

(iii) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent):

[ ]

(iv) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:

[need to include a description of market disruption or settlement disruption events and adjustments provisions]

(iv) Specified Period(s)/Specified Interest Payment Dates:

[ ]

(v) Business Day Convention:

[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]

(vi) Additional Business Centre(s):

[ ]

(vii) Minimum Rate of Interest:

[ ] per cent. per annum

(viii) Maximum Rate of Interest:

[ ] per cent. per annum

(ix) Day Count Fraction:

[ ]

19. Dual Currency Note Provisions:

[Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

*(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply).*

(i) Rate of Exchange/method of calculating Rate of Exchange:

[give or annex details]

(ii) Party, if any, responsible for calculating the principal and/or interest payable (if not the Agent):

[ ]

- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: *[need to include a description of market disruption or settlement disruption events and adjustments provisions]*
- (iv) Person at whose option Specified Currency(ies) is/are payable: [ ]

## PROVISIONS RELATING TO REDEMPTION

20. Issuer Call: *[Applicable/Not Applicable]*  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ]  
*[(If the Notes are Subordinated Notes, unless otherwise permitted by current laws, regulations, directives and/or the Bank of Italy's requirements, applicable to the issue of Subordinated Notes by BMPS, the Optional Redemption Date shall not be earlier than (i) in the case of Lower Tier II Subordinated Notes, five years after the Issue Date, and (ii) in the case of Upper Tier II Subordinated Notes, 10 years after the Issue Date. Furthermore, in the case of Notes issued by MPIL, the Optional Redemption Date shall not be earlier than one year after the Issue Date (unless MPIL complies with notice BSD C01/02 issued by the Irish Financial Services Regulatory Authority (as may be amended, supplemented, replaced or otherwise superseded from time to time))]*
- (ii) Optional Redemption Amount and method, if any, of calculation of such amount(s): *[[ ] per Calculation Amount/specify other/see Appendix]*
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [ ]
- (b) Higher Redemption Amount: [ ]
- (iv) Notice period (if other than as set out in the Conditions): [ ]  
*(N.B. If setting notice periods which are different to those provided in the Conditions, the relevant Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the relevant Issuer and the Agent)*
21. Investor Put: *[Applicable/Not Applicable]*  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/specify other/see Appendix]
- (iii) Notice period (if other than as set out in the Conditions): [ ]  
*(N.B. If setting notice periods which are different to those provided in the Conditions, the relevant Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the relevant Issuer and the Agent)*

22. Final Redemption Amount: [[ ] per Calculation Amount/specify other/see Appendix]  
*(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirement of Annex XII to the Prospectus Directive Regulation will apply.)*

23. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7(e)): [[ ] per Calculation Amount/specify other/See Appendix]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes:

- (i) Form: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
- [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]
- [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
- (N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]."*  
*Furthermore, such Specified Denomination construction is not permitted in relation to any issue*

*of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes)*

- (ii) New Global Note: [Yes] [No]
25. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details]  
*(Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 16(iii) and 18(vi) relate)*
26. 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]
27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details].  
*(NB: a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues)*
28. Details relating to Instalment Notes:
- (i) Instalment Amount(s): [Not Applicable/give details]
- (ii) Instalment Date(s): [Not Applicable/give details]
29. Redenomination applicable: Redenomination [not] applicable  
*(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))*
30. Governing law: [As set out in Condition 18/other]
31. (i) Limited recourse: [Applicable/Not Applicable]
- (ii) Credit Linked Notes: [Applicable/Not Applicable]
- (iii) Equity Linked Notes: [Applicable/Not Applicable]
- (If any of these items is applicable, details to be set out in a supplement to the Base Prospectus and/or in a schedule to the Final Terms. 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. Other final terms: [Not Applicable/give details]
33. Whether the Notes are typical securities or atypical securities: [Typical/Atypical] securities

*(This relates to the part of the Taxation section in the Base Prospectus headed “Republic of Italy”. See “Tax treatment of Notes issued by an Italian resident Issuer” on page 88 of the Base Prospectus, “Tax treatment of Notes issued by a non-Italian resident issuer” on page 91 and “Atypical securities” on page 91)*

**DISTRIBUTION**

- 34. (i) If syndicated, names of Managers: [Not Applicable/give names]  
*(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, include names of entities agreeing to underwrite the issue on a firm commitment basis and names of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers.)*
- (ii) Date of Subscription Agreement: [ ]  
*(The above is only relevant if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies)*
- (iii) Stabilising Manager (if any): [Not Applicable/give name]
- 35. If non-syndicated, name of relevant Dealer: [ ]
- 36. U.S. Selling Restrictions: [Reg. S Compliance Category: TEFRA D/TEFRA C/TEFRA not applicable]
- 37. Additional selling restrictions: [Not Applicable/give details]

**PURPOSE OF FINAL TERMS**

These Final Terms comprise the final terms required for issue and admission to trading on *[specify relevant regulated market and, if relevant, admission to an official list]* of the Notes described herein pursuant to the €50,000,000,000 Debt Issuance Programme of Banca Monte dei Paschi di Siena S.p.A. and Monte Paschi Ireland Limited.

**RESPONSIBILITY**

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in these Final Terms.

*[[Relevant third party information] has been extracted from [specify source]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [specify source], no facts have been omitted which would render the reproduced information inaccurate or misleading.]*

Signed on behalf of [name of the Issuer]:

By: .....  
*Duly authorised*

[Signed on behalf of Banca Monte dei Paschi di Siena S.p.A.:

By: .....  
*Duly authorised]*



## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing and admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market and, if relevant, admission to an official list] with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market and, if relevant, admission to an official list] with effect from [ ].] [Not Applicable.]
- (ii) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

- Ratings: [The Notes to be issued have been rated:/The Notes have not been specifically rated. The following rating reflects the rating allocated to Notes of the type being issued under the Programme generally:]
- [S & P: [ ]]
- [Moody's: [ ]]
- [Fitch: [ ]]
- [[Other]: [ ]]

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

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

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

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

- (i) Reasons for the offer [ ]
- (ii) Estimated net proceeds: [ ]
- (iii) Estimated total expenses: [ ]

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

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

Indication of yield: [    ]

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

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

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

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

*[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]*

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

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

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

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

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

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

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

**8. OPERATIONAL INFORMATION**

(i) ISIN Code: [    ]

(ii) Common Code: [    ]

(iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

(iv) Delivery: Delivery [against/free of] payment

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

(vi) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes] [No]

*[Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] [include this text if “yes” selected in which case the Notes must be issued in NGN form]*

## TERMS AND CONDITIONS OF THE NOTES

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

This Note is one of a Series (as defined below) of Notes issued by the issuer named in the applicable Final Terms (as defined below) (the “Issuer”) pursuant to the Agency Agreement (as defined below).

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

- (i) in relation to any Notes represented by a global Note (a “Global Note”), units of each Specified Denomination in the Specified Currency;
- (ii) any Global Note; and
- (iii) any definitive Notes issued in exchange for a Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an amended and restated Agency Agreement dated 29th January 2009 (such Agency Agreement as further amended and/or supplemented and/or restated from time to time, the “Agency Agreement”), and made between Monte Paschi Ireland Limited (“MPIL”), Banca Monte dei Paschi di Siena S.p.A. (in its capacity as an issuer, “BMPS” and in its capacity as guarantor of Notes issued other than by BMPS, the “Guarantor”), Citibank, N.A. as issuing and principal paying agent and agent bank (the “Agent”, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the “Paying Agents”, which expression shall include any additional or successor paying agents).

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

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

If this Note is issued by BMPS, references in these Terms and Conditions to the Guarantor and the Guarantee, and related expressions, are not applicable. The payment of all amounts in respect of this Note (if the Issuer is other than BMPS) have been guaranteed by the Guarantor pursuant to a guarantee (the “Guarantee”) dated 29th January 2009 and executed by the Guarantor. The original of the Guarantee is held by the Agent on behalf of the Noteholders, the Receiptholders and the Couponholders at its specified office.

Any reference to “Subordinated Notes” in these Terms and Conditions shall mean Tier III Subordinated Notes, Lower Tier II Subordinated Notes and Upper Tier II Subordinated Notes and such Notes may only be issued by BMPS, unless otherwise indicated in the applicable Final Terms.

Any reference to “Noteholders” or “holders” in relation to any Notes shall mean the holders of the Notes and shall, in relation to any Notes represented by a global Note, be construed as provided below. Any reference herein to “Receiptholders” shall mean the holders of the Receipts and any reference herein to “Couponholders” shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, “Tranche” means Notes which are identical in all respects (including as to listing and admission to trading) and “Series” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (the “Deed of Covenant”) dated 29th January 2009 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear and Clearstream, Luxembourg (each as defined below).

Copies of the Agency Agreement, the Guarantee and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents. Copies of the applicable Final Terms are available for viewing at the registered office of the Issuer and copies may be obtained from the Agent at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under Directive 2003/71/EC, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Guarantee (the terms of which the Noteholders, the Receiptholders and the Couponholders accept), the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

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

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

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

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

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

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

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

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

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. (“Euroclear”) and/or Clearstream Banking, société anonyme (“Clearstream, Luxembourg”), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor and the Paying Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, the Guarantor and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly. Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

## **2. Status of the Notes, Subordination and status of the Guarantee**

### **(a) Status of the Senior Notes**

*This Condition 2(a) applies only to Senior Notes.*

The Senior Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference or priority among themselves and (subject to any applicable statutory exceptions) equally with all other present and future unsecured and unsubordinated obligations of the Issuer.

### **(b) Status of the Subordinated Notes**

*This Condition 2(b) applies only to Subordinated Notes.*

- (i) The Tier III Subordinated Notes (*Passività Subordinate di 3° Livello*, as defined in the Regulations of the Bank of Italy (*Istruzioni di Vigilanza della Banca d'Italia*) and the Bank of Italy Note n.263 of 27 December 2006 (*Nuove Disposizioni di Vigilanza prudenziale per le Banche*) (together the “Bank of Italy’s Regulations”), the Lower Tier II Subordinated Notes (*passività subordinate di 2° livello*, as defined in the Bank of Italy’s Regulations) and the Upper Tier II Subordinated Notes (*strumenti ibridi di patrimonializzazione*, as defined in the Bank of Italy’s Regulations), and any relative Receipts and Coupons constitute unconditional, unsecured and subordinated obligations of BMPS. Tier III Subordinated Notes, Upper Tier II Subordinated Notes and Lower Tier II Subordinated Notes rank at least *pari passu* with all other subordinated obligations of BMPS which do not rank or are not expressed by their terms to rank junior or senior to the Tier III Subordinated Notes, Upper Tier II Subordinated Notes and the Lower Tier II Subordinated Notes and in priority to the claims of shareholders of BMPS. In addition, save as otherwise provided in this Condition 2(b)(i), the Tier III Subordinated Notes rank senior to the Upper Tier II Subordinated Notes and the Lower Tier II Subordinated Notes, and the Lower Tier II Subordinated Notes rank senior to the Upper Tier II Subordinated Notes in accordance with Conditions 2(c), 2(d) and 2(e). In relation to each Series of Tier III Subordinated Notes, Lower Tier II Subordinated Notes or Upper Tier II Subordinated Notes, all Tier III Subordinated Notes, Lower Tier II Subordinated Notes or Upper Tier II Subordinated Notes, as the case may be, of such Series will be treated equally and all amounts paid by BMPS in respect of principal and interest thereon will be paid *pro rata*

on all Tier III Subordinated Notes, Lower Tier II Subordinated Notes or Upper Tier II Subordinated Notes, as the case may be, of such Series.

- (ii) In the event of the winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*, as described in Article 80 to 94 of Legislative Decree No. 385 of 1st September, 1993, as amended from time to time (the “Italian Banking Act”)) of BMPS, the payment obligations of BMPS under the Subordinated Notes and the relative Receipts and Coupons will rank in right of payment after unsubordinated unsecured creditors (including depositors) of BMPS. Tier III Subordinated Notes rank senior to both Upper Tier II Subordinated Notes and Lower Tier II Subordinated Notes. Lower Tier II Subordinated Notes rank senior to Upper Tier II Subordinated Notes. Tier III Subordinated Notes, Lower Tier II Subordinated Notes and Upper Tier II Subordinated Notes rank at least *pari passu* with all other subordinated obligations of BMPS which do not rank or are not expressed by their terms to rank junior or senior to the Tier III Subordinated Notes, 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 BMPS.
- (iii) Each holder of a Subordinated Note unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Subordinated Note.

**(c) Special provisions applicable to Tier III Subordinated Notes**

*This Condition 2(c) applies only to the Tier III Subordinated Notes.*

- (i) Payment of principal and interest

The repayment of the principal and the payment of interest (as defined below) in respect of the Tier III Subordinated Notes are obligations of BMPS. The repayment of the Tier III Subordinated Notes is not covered by the guarantee of the “*Fondo Interbancario di Tutela dei Depositi*” (Italian Inter-Bank Fund for the Protection of Deposits).

- (ii) Deferral of interest and/or principal

- (a) The payment of any sums due with respect to interest and/or principal on the Tier III Subordinated Notes will be entirely suspended and deferred, and any such suspension and deferral to pay shall not constitute a default of BMPS under these Conditions if, at the time any such payment becomes due:

- (A) BMPS’s Total Amount of Regulatory Capital (as defined below) is, on a consolidated or unconsolidated basis, less than the aggregate minimum credit risk (*rischio creditizio*) capital requirements of BMPS, as provided by the then applicable Bank of Italy’s Regulations, on a consolidated or unconsolidated basis; or
- (B) upon payment of interest and/or repayment of principal under the Tier III Subordinated Notes, BMPS’s Total Amount of Regulatory Capital becomes, on a consolidated or unconsolidated basis, less than the aggregate minimum credit risk (*rischio creditizio*) capital requirements of BMPS, as provided by the then applicable Bank of Italy’s Regulations, on a consolidated or unconsolidated basis.

- (b) “Total Amount of Regulatory Capital” means:

- (A) on an unconsolidated basis, the aggregate amount of the items stated and defined in (I), (II), (III), (IV), (V), and (VI) and/or any additional, replacement and/or adjusted or other items, in each case which may from time to time be required to be included pursuant to the then applicable Bank of Italy’s Regulations for the purposes of calculating BMPS’s Total Amount of Regulatory Capital; or

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

WHERE:

- (I) means, taken as a positive figure, the aggregate amount of the regulatory capital of BMPS (*Patrimonio di Vigilanza*), calculated on an unconsolidated basis, as set forth in the then applicable Bank of Italy's Regulations;
- (II) means, taken as a positive figure, the aggregate amount of any indebtedness of BMPS qualified by the Bank of Italy as "*passività subordinate di 3° livello*" (Subordinated Tier 3 Capital), intended to cover the minimum capital requirements for market risks, calculated on an unconsolidated basis (as defined in the Bank of Italy's Regulations or any provision which amends or replaces such definition) in accordance with the following paragraph (III), provided however that the amount of such indebtedness can only be included up to the absolute amount of the following paragraph (III);
- (III) means, taken as a negative figure, the minimum capital requirements for market risks of BMPS, calculated on an unconsolidated basis (as defined in the Bank of Italy's Regulations or any provision which amends or replaces such definition);
- (IV) means, taken as a negative figure, the excess over the limit on the ownership of shareholdings in non-financial companies acquired by BMPS following the recovery of credits (as defined in the Bank of Italy's Regulations or any provision which amends or replaces such definition);
- (V) means, taken as a negative figure, the excess over the limit on the ownership of real estate acquired by BMPS following the recovery of credits (as defined in the Bank of Italy's Regulations or any provision which amends or replaces such definition); and
- (VI) means, taken as a negative figure, any additional specific capital requirements imposed on BMPS by the Bank of Italy, to the extent not taken into account in paragraphs (III) to (V).
- (c) For the purposes of the Tier III Subordinated Notes, BMPS's Total Amount of Regulatory Capital is deemed to be equal to or more than the minimum credit risk (*rischio creditizio*) capital requirements of BMPS as required by the then applicable Bank of Italy's Regulations, when:
- (A) BMPS's Total Amount of Regulatory Capital, calculated on an unconsolidated basis, is equal to or more than 7 per cent. (or such other percentage as may be, from time to time, set forth, on an unconsolidated basis, by the Bank of Italy) of the aggregate weighted assets to be comprised in the calculation, on an unconsolidated basis, of the minimum capital requirements of BMPS (such assets as being defined in the Bank of Italy's Regulations or any provision which amends or replaces such definition); and
- (B) BMPS's Total Amount of Regulatory Capital, calculated on a consolidated basis, is equal to or more than 8 per cent. (or such other percentage as the Bank of Italy may, from time to time, require on a consolidated basis) of the aggregate weighted assets to be comprised in the calculation of the consolidated minimum capital requirements of the banking group controlled directly or indirectly by BMPS (such assets as being defined in the Bank of Italy's Regulations or any provision which amends or replaces such definition).



- (d) The obligations of BMPS to effect the payment of interest (including Arrears of Interest and Default Interest (each as defined below)) not paid when due and/or to repay principal not repaid when due, in each case in accordance with Condition 2(c)(ii)(a), will (subject to, and to the extent provided in, Condition 2(c)(ii)(e)), be reinstated and will start to accrue in whole and as if the payment obligations of BMPS had never been so suspended (but without prejudice to the subordination provided for in Condition 2(b)):
- (A) in the event of a bankruptcy, dissolution, liquidation or winding-up of BMPS or in the event that BMPS becomes subject to an order for *Liquidazione Coatta Amministrativa*; or
  - (B) in the event that BMPS's Total Amount of Regulatory Capital (as defined above) after the payment of interest and/or repayment of principal is, both on an unconsolidated and on a consolidated basis, equal to or more than the minimum aggregate credit risk (*rischio creditizio*) capital requirements of BMPS, both on an unconsolidated and consolidated basis, as respectively required by the then applicable Bank of Italy's Regulations.
- (e) Where, following any suspension and deferral pursuant to Condition 2(c)(ii)(a), the obligation to pay interest (including Arrears of Interest and Default Interest) and/or to repay principal has been reinstated pursuant to Condition 2(c)(ii)(d)(B), the obligation will become effective at and will be paid on the first Interest Payment Date immediately following the date of receipt by the Bank of Italy of a Report (as defined below), according to which BMPS's Total Amount of Regulatory Capital net of amounts to be paid in respect of interest and/or repayment of principal, both on an unconsolidated and consolidated basis, is equal to or more than the minimum aggregate credit risk (*rischio creditizio*) capital requirements set forth by the then applicable Bank of Italy's Regulations.

If the payment of interest and/or the repayment of principal has been suspended pursuant to the provisions of Condition 2(c)(ii)(a), the reinstatement of the obligation to make payment and/or repayment in respect thereof pursuant to Condition 2(c)(ii)(d) shall, where there are insufficient amounts pursuant to the foregoing provisions to make full payment in respect thereof, be made in part as such amounts become so available pursuant to the foregoing provisions in the following order:

- (A) payment of any Default Interest (where not paid in full, Default Interest shall be paid in the order in which it accrued);
- (B) payment of any Arrears of Interest (where not paid in full, Arrears of Interest shall be paid in the order in which it accrued);
- (C) payment of interest otherwise due pursuant to Condition 5; and
- (D) repayment of principal.

All payments to holders of the Tier III Subordinated Notes will be made on a pro rata basis.

- (f) If for any reason (including, but not limited to, merger or any other extraordinary transaction) BMPS, in accordance with any applicable laws and regulations, ceases to be a member of a banking group, the percentage referred to in Condition 2(c)(ii)(c)(A) will be the percentage required by the then applicable Bank of Italy's Regulations on an unconsolidated basis (currently, 8 per cent.).
- (g) If for any reason (including, but not limited to, merger or any other extraordinary transaction) BMPS, in accordance with any applicable laws and regulations, ceases to be a member of a banking group, all references in this Condition 2(c) to parameters referred to consolidated figures of BMPS will automatically be voided, becoming reference to

parameters calculated on an unconsolidated basis (but without prejudice to the provisions of Condition 2(c)(ii)(f) above).

(iii) **Arrears of Interest and Default Interest**

Any interest that BMPS does not pay when due shall constitute, for the purposes of the Tier III Subordinated Notes, “Arrears of Interest”.

Arrears of Interest not paid by BMPS in accordance with Condition 2(c)(ii)(a) shall not bear default interest. In all other cases, Arrears of Interest not paid by BMPS when due for reasons other than those provided for in this Condition 2(c), shall accrue default interest (“Default Interest”) at the Rate of Interest. Such Default Interest will accrue during the entire period from and including the date of the failure to pay Arrears of Interest until but excluding the date of their full payment.

In this Condition 2(c), “Report” means the report that BMPS under the Bank of Italy’s Regulations, is required to send semi-annually to the Bank of Italy for purposes of the control of compliance with minimum regulatory capital requirements, on an unconsolidated and consolidated basis, as of 31st December and 30th June of each fiscal year. For the purposes of this Condition 2(c), neither the quarterly report which Italian banks are currently required to send for the sole purposes of the control of compliance with the minimum regulatory capital requirements on an unconsolidated basis as of 31st March and 30th September of each fiscal year, nor any such other reporting which the Bank of Italy may in the future require to be made, will be taken into account.

**(d) Special provisions applicable to Lower Tier II Subordinated Notes**

*This Condition 2(d) applies only to the Lower Tier II Subordinated Notes.*

(i) *Minimum maturity*

Lower Tier II Subordinated Notes may be validly issued with a minimum maturity of five years agreed at issue or with a maturity which may be determined by BMPS while the Lower Tier II Subordinated Notes are outstanding. In such latter circumstance the Lower Tier II Subordinated Notes can be validly redeemed by giving a minimum five years’ prior written notice to the Noteholders in accordance with Condition 14.

(ii) *Early redemption*

Lower Tier II Subordinated Notes may be validly redeemed early by BMPS only with the prior consent of the Bank of Italy. Early redemption of the Lower Tier II Subordinated Notes may not be made in circumstances other than those specified under this Condition 2(d).

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

*This Condition 2(e) applies only to Upper Tier II Subordinated Notes.*

(i) *Redemption at maturity and Early Redemption*

The Upper Tier II Subordinated Notes may be perpetual (*passività irredimibili*) or with fixed maturity of 10 years or longer (*altri strumenti rimborsabili*). The Upper Tier II Subordinated Notes may be redeemed early by BMPS only with the prior consent of the Bank of Italy. Redemption of the Upper Tier II Subordinated Notes at maturity is also subject to the prior written consent of the Bank of Italy.

(ii) *Loss Absorption*

To the extent that BMPS at any time suffers losses which in accordance with applicable provisions of Italian law and regulation would require BMPS to reduce its capital below the minimum capital as provided for by the Bank of Italy from time to time for the issuance or maintenance of the Bank of Italy’s authorisation to carry on banking activities and as

determined by the external auditors of BMPS and certified in writing to the Agent by two Directors of BMPS (the “Minimum Capital”), the obligations of BMPS in respect of principal and interest under the Upper Tier II Subordinated Notes will be reduced to the extent necessary to enable BMPS, in accordance with requirements under Italian legal and regulatory provisions, to maintain at least the Minimum Capital. The obligations of BMPS in respect of principal and interest under the Upper Tier II Subordinated Notes which are reduced in accordance with this Condition 2 (e)(ii) will be reinstated whether or not the Maturity Date of the relevant obligations has occurred:

- (A) in whole, in the event of winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*, as described in Articles 80 to 94 of the Italian Banking Act) of BMPS and with effect immediately prior to the commencement of such winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*), as if such obligations of BMPS had not been so reduced in accordance with this Condition 2(e)(ii); and
- (B) in whole or in part, from time to time, to the extent that BMPS, by reason of its having profits, or by reason of its obtaining new capital contributions, or by reason of the occurrence of any other event, would again have at least the Minimum Capital and, therefore, would not be required to reduce its obligations in respect of principal and interest in accordance with this Condition 2(e)(ii).

BMPS shall forthwith give notice of any such reduction and/or reinstatement to the Noteholders in accordance with Condition 14.

(iii) *Deferral of Interest*

BMPS will not be required to pay interest on the Upper Tier II Subordinated Notes on an Interest Payment Date if (A) no annual dividend has been approved, paid or set aside for payment by a shareholders’ meeting of BMPS or paid in respect of any class of shares of BMPS during the 12-month period ending on, but excluding, the second London Business Day (as defined in Condition 5(b)(v)) immediately preceding such Interest Payment Date or (B) the Board of Directors of BMPS has announced, at the time of the release of any interim accounts published during the six-month period ending on, but excluding, the second London Business Day immediately preceding such Interest Payment Date, that, based on such interim accounts, no sums are available at such time for the payment of interim dividends, in accordance with Article 2433-bis of the Italian Civil Code.

Any such unpaid amounts of interest will constitute arrears of interest which will bear interest at the rate applicable to the relevant Upper Tier II Subordinated Notes. Arrears of interest (together with any additional interest amount in respect of such arrears of interest) will become due and payable (i) in part *pari passu* and *pro rata* if and to the extent that BMPS makes payments of or in respect of amounts of interest on or in relation to any other *pari passu* claims with the exception of Lower Tier II and Tier III Subordinated Notes; and (ii) in full on the earliest to occur of (A) the Interest Payment Date falling on or after the date on which a dividend is approved or paid on any class of shares of BMPS; (B) the date for repayment of the Upper Tier II Subordinated Notes; or (C) the date on which the *Liquidazione Coatta Amministrativa* of BMPS is commenced pursuant to Article 83 of the Italian Banking Act or on which the Issuer becomes subject to a liquidation order.

**(f) Status of the Guarantee**

The obligations of the Guarantor under the Guarantee in respect of Senior Notes are direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and (save for certain obligations required to be preferred by law) rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.

3. [This Condition no longer applies]

#### 4. Redenomination

##### (a) Redenomination

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders, on giving prior notice to the Agent, Euroclear and Clearstream, Luxembourg and at least 30 days' prior notice to the Noteholders in accordance with Condition 14, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

- (i) the Notes and the Receipts shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount for each Note and Receipt equal to the principal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Agent, that the then market practice in respect of the redenomination into euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the Paying Agents of such deemed amendments;
- (ii) save to the extent that an Exchange Notice has been given in accordance with paragraph (iv) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;
- (iii) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer (i) in the case of Relevant Notes in the denomination of euro 50,000 and/or such higher amounts as the Agent may determine and notify to the Noteholders and any remaining amounts less than euro 50,000 shall be redeemed by the Issuer and paid to the Noteholders in euro in accordance with Condition 6; and (ii) in the case of Notes which are not Relevant Notes, in the denominations of euro 1,000, euro 10,000, euro 100,000 and (but only to the extent of any remaining amounts less than euro 1,000 or such smaller denominations as the Agent may approve) euro 0.01 and such other denominations as the Agent shall determine and notify to the Noteholders;
- (iv) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the "Exchange Notice") that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;
- (v) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro

account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;

- (vi) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:
  - (A) in the case of the Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes represented by such Global Note; and
  - (B) in the case of definitive Notes, by applying the Rate of Interest to the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding; and

- (vii) if the Notes are Floating Rate Notes, the applicable Final Terms will specify any relevant changes to the provisions relating to interest.

## **(b) Definitions**

In these Terms and Conditions, the following expressions have the following meanings:

“Established Rate” means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the Treaty;

“euro” means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

“Redenomination Date” means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to paragraph (a) above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union;

“Relevant Notes” means all Notes where the applicable Final Terms provide for a minimum Specified Denomination in the Specified Currency which is equivalent to at least euro 50,000 and which are admitted to trading on a regulated market in the European Economic Area; and

“Treaty” means the Treaty establishing the European Community, as amended.

## **5. Interest**

### **(a) Interest on Fixed Rate Notes**

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount. Payments

of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

Except in the case of Notes in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (i) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (ii) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

“Day Count Fraction” means, in respect of the calculation of an amount of interest in accordance with this Condition 5(a):

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
  - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; or
  - (b) in the case of Notes where the Accrual Period is longer than the Determination Period commencing on the last Interest Payment Date on which interest was paid (or, if none, the Interest Commencement Date), the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; and
- (ii) if “30/360” is specified in the applicable Final Terms, the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Terms and Conditions:

“Determination Period” means the period from and including a Determination Date to but excluding the next Determination Date; and

“sub-unit” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

**(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 from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

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

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

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

- (1) in any case where Specified Periods are specified in accordance with Condition 5(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions, “Business Day” means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Business Centre specified in the applicable Final Terms; and

- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the “TARGET2 System”) is open.

(ii) *Rate of Interest*

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

(A) *ISDA Determination for Floating Rate Notes*

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

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is a period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“LIBOR”) or on the Euro-zone inter-bank offered rate (“EURIBOR”), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

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

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

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

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

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

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such



offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

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

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

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

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

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

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

The Agent will calculate the amount of interest (the “Interest Amount”) payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

- (i) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (ii) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

“Day Count Fraction” means, in respect of the calculation of an amount of interest for any Interest Period:

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

- (v) *Notification of Rate of Interest and Interest Amounts*

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Guarantor and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression “London Business Day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

- (vi) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(b), whether by the Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default, bad faith or manifest error) no liability to the Issuer, the Guarantor, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or the Calculation Agent (if applicable) in connection

with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

**(c) Interest on Dual Currency Notes**

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Final Terms.

**(d) Interest on Partly Paid Notes**

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

**(e) Accrual of interest**

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

- (1) the date on which all amounts due in respect of such Note have been paid; and
- (2) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14.

**6. Payments**

**(a) Method of payment**

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively); and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

**(b) Presentation of definitive Notes, Receipts and Coupons**

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

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

Fixed Rate Notes in definitive form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

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

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

**(c) Payments in respect of Global Notes**

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

**(d) General provisions applicable to payments**

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantor will be

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

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

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

**(e) Payment Day**

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "Payment Day" means any day which (subject to Condition 9) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (A) the relevant place of presentation;
  - (B) each Additional Financial Centre specified in the applicable Final Terms; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

**(f) Interpretation of principal and interest**

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

- (i) any additional amounts which may be payable with respect to principal under Condition 8;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Notes redeemable in instalments, the Instalment Amounts;

- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7(e)); and
- (vii) any premium and any other amounts other than interest which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8.

## **7. Redemption and Purchase**

### **(a) Redemption at maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note will (subject, with respect to Tier III Subordinated Notes, to the provisions of Condition 2(c)) be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

*The redemption of Upper Tier II Subordinated Notes shall always be subject to the prior approval of the Bank of Italy, such approval being dependent on BMPS maintaining its minimum capital requirements (patrimonio di vigilanza) as prescribed in the Bank of Italy's Regulations immediately following redemption of the Upper Tier II Subordinated Notes. If such approval is not given on or prior to the redemption date, BMPS will re-apply to the Bank of Italy for its consent to such redemption forthwith upon its having gained, by whatever means, such required minimum capital. BMPS will use its best endeavours to maintain such required minimum capital and to obtain such approval. Amounts that would otherwise be payable on the due date will continue to bear interest as provided in Condition 5(e).*

### **(b) Redemption for tax reasons**

The Notes may be redeemed at the option of the Issuer (subject to the prior approval of the Bank of Italy in the case of Subordinated Notes) in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if:

- (i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 or the Guarantor is or would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself, would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any political subdivision of, or any authority in, or of, a Tax Jurisdiction 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 date on which agreement is reached to issue the first Tranche of the Notes; and
- (ii) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Agent a certificate signed by two Directors of the Issuer or, as the case may be, two Directors of the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a

statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment.

Each Note redeemed pursuant to this Condition 7(b) will be redeemed at its Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

**(c) Redemption at the option of the Issuer (Issuer Call)**

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

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Agent,

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount equal to the Minimum Redemption Amount or a Higher Redemption Amount. In the case of a partial redemption of Notes, the Notes to be redeemed ("Redeemed Notes") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "Selection Date"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

**(d) Redemption at the option of the Noteholders (Investor Put)**

This Condition 7(d) applies only to Senior Notes.

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not in part), such Note on the Optional Redemption Date and at its Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "Put Notice") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to



which payment is to be made under this Condition accompanied by, if this Note is in definitive form, this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 10.

**(e) Early Redemption Amounts**

For the purpose of paragraph (b) above and Condition 10, each Note will be redeemed at its Early Redemption Amount calculated as follows:

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

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

where:

“RP” equals the Reference Price;

“AY” equals the Accrual Yield; and

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

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

**(f) Instalments**

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

**(g) Partly Paid Notes**

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

**(h) Purchases**

The Issuer, the Guarantor or any Subsidiary (as defined below) of the Issuer or the Guarantor may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. All Notes so purchased will be surrendered to a Paying Agent for cancellation. References in these Conditions to the purchase of Notes shall not include the purchase of Notes by the Issuer, the Guarantor or any of their Subsidiaries in the ordinary course of business of dealing in securities, as nominee or as a bona fide investment.

Subordinated Notes may only be purchased by the Issuer or any of the Issuer's Subsidiaries with the prior approval of the Bank of Italy.

"Subsidiary" means any entity which is a subsidiary within the meaning of Section 736 of the Companies Act 1985.

**(i) Cancellation**

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

**(j) Late payment on Zero Coupon Notes**

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

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14.

**8. Taxation**

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

- (a) (in the case of payments by BMPS or the Guarantor) with respect to any payment or deduction of any interest, principal or other proceeds or on account of *imposta sostitutiva* (at the then applicable rate of tax) pursuant to Italian Legislative Decree No. 239 of 1st April, 1996 and in all circumstances in which the procedures set forth in Legislative Decree No. 239 have not been met or complied with except where such procedures have not been met or complied with due to the actions or omissions of the Issuer or, as the case may be, the Guarantor or its agents;
- (b) with respect to any Note, Receipt or Coupon presented for payment:
  - (i) in the jurisdiction of incorporation of the Issuer or the Guarantor; or
  - (ii) by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or
  - (iii) by or on behalf of a holder who is entitled to avoid such withholding or deduction in respect of such Note, Receipt or Coupon by making a declaration of non-residence or other similar claim for exemption to the relevant taxing authority; or
  - (iv) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6(e)); or
  - (v) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
  - (vi) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union; or
- (c) (in the case of payments by BMPS or the Guarantor) in respect of any Note having an original maturity of less than eighteen months where such withholding or deduction is required pursuant to Presidential Decree No. 600 of 29th September, 1973, as amended and supplemented.

As used herein:

- (i) “Tax Jurisdiction” means Ireland or any political subdivision or any authority thereof or therein having power to tax (in the case of payments by MPIL) or the Republic of Italy (“Italy”) or any political subdivision of any authority thereof or therein having power to tax (in the case of payments by BMPS or the Guarantor); and
- (ii) “Relevant Date” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

## 9. Prescription

The Notes, Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6(b) or any Talon which would be void pursuant to Condition 6(b).

## 10. Events of Default

### (a) Events of Default relating to Senior Notes

This Condition 10(a) applies only to Senior Notes.

If any one or more of the following events (each an “Event of Default”) shall occur with respect to any Senior Note:

- (i) there is default for more than 7 days in the payment of any principal or 15 days in the case of any interest due in respect of the Senior Notes; or
- (ii) the Issuer or the Guarantor shall be adjudicated or found bankrupt or insolvent or shall stop or threaten to stop payment or shall be found unable to pay its debts, or any order shall be made by any competent court or administrative agency for, or any resolution shall be passed by the Issuer or the Guarantor for, judicial composition proceedings with its creditors or for the appointment of a receiver or trustee or other similar official in insolvency proceedings in relation to the Issuer or the Guarantor; or
- (iii) BMPS or the Guarantor becomes subject to an order for “*Amministrazione straordinaria*”, “*Gestione provvisoria*” or “*Liquidazione coatta amministrativa*” (within the meanings ascribed to those expressions by the Italian Banking Act and the other laws of Italy); or
- (iv) the Issuer or the Guarantor fails to pay a final judgment of a court of competent jurisdiction within 30 days from the entering thereof or an execution is levied on or enforced upon or sued out pursuant to any such judgment against any substantial part of the assets or property of the Issuer or the Guarantor; or
- (v) the Issuer or the Guarantor shall be wound up, liquidated or dissolved (otherwise than for the purposes of an amalgamation, merger, reconstruction or reorganisation on terms approved by an Extraordinary Resolution of the Noteholders); or
- (vi) the Issuer or the Guarantor shall cease to carry on business or threaten to cease to carry on all or a substantial part of its business (otherwise than for the purposes of an amalgamation, merger, reconstruction or reorganisation on terms approved by an Extraordinary Resolution of the Noteholders); or
- (vii) the security for any debenture, mortgage or charge of the Issuer or the Guarantor shall become enforceable and the holder or holders thereof shall take any legal proceedings to enforce the same; or
- (viii) any indebtedness for borrowed money of the Issuer or the Guarantor either (i) shall become, or become capable of being declared, due and payable prior to its stated maturity or (ii) shall not be repaid at maturity as extended by any applicable grace period therefor and, in either case, steps shall have been taken to obtain repayment, provided that, for the purposes of this Condition 10(a)(viii), the indebtedness for borrowed money must, either alone or when aggregated with (I) other indebtedness for borrowed money to which any part of this Condition 10(a)(viii) applies and/or (II) any guarantee to which any part of Condition 10(a)(ix) applies, amount to at least €20,000,000 (or its equivalent in any other currency); or
- (ix) any guarantee (other than a guarantee given in the ordinary course of its banking business or in respect of which the Issuer or the Guarantor is restrained by an order of any court of competent jurisdiction from discharging its liability in respect thereof) given by the Issuer or the Guarantor of any indebtedness for borrowed money shall not be honoured when due and called, provided that, for the purpose of this Condition 10(a)(ix), the amount payable under any guarantee as aforesaid must, either alone or when (I) aggregated with any indebtedness for borrowed money to which any part of Condition 10(a)(viii) applies and/or (II) any other guarantee to which any part of this Condition 10(a)(ix) applies, amount to at least €20,000,000 (or its equivalent in any other currency); or

- (x) default is made by the Issuer or the Guarantor in the performance or observance of any obligation, condition or provision binding on it under the Senior Notes (other than any obligation for payment of any principal moneys or interest in respect of the Senior Notes) and such default continues for 30 days after written notice thereof by any Noteholder to the Issuer requiring the same to be remedied,

then any holder of a Senior Note may, by written notice to the Issuer at the specified office of the Agent, effective upon the date of receipt thereof by the Agent, declare any Senior Notes held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount (as described in Condition 7(e)), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

**(b) Event of Default relating to Subordinated Notes**

This Condition 10(b) applies only to Subordinated Notes.

In the event of a winding up of BMPS other than for the purposes of an amalgamation, merger, reconstruction or reorganisation on terms approved by an Extraordinary Resolution of the Noteholders, any holder of a Subordinated Note may, by written notice to BMPS at the specified office of the Agent, effective upon the date of receipt thereof by the Agent, declare any such Subordinated Notes held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount (as described in Condition 7(e)), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

**11. Replacement of Notes, Receipts, Coupons and Talons**

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

**12. Paying Agents**

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

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

- (a) there will at all times be an Agent;
- (b) so long as the Notes are listed on any stock exchange (or any other relevant authority), there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority); and
- (c) there will at all times be a Paying Agent in a Member State of the European Union (other than Italy) that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6(d). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

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

### **13. Exchange of Talons**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

### **14. Notices**

All notices regarding the Notes will be deemed to be validly given if published (i) in a leading English language daily newspaper of general circulation in London, and (ii) if and for so long as the Notes are admitted to trading on, and listed on the Official List of the Luxembourg Stock Exchange, in a daily newspaper of general circulation in Luxembourg and/or on the Luxembourg Stock Exchange's website ([www.bourse.lu](http://www.bourse.lu)). It is expected that any such publication in a newspaper will be made in the *Financial Times* in London and the *Luxemburger Wort* or *Tageblatt* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange (or any other relevant authority) on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

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

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

### **15. Meetings of Noteholders, Modification and Waiver**

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer or the Guarantor and shall be convened by the Issuer if required in writing by Noteholders holding not less than ten per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (including

modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than three-quarters in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-half in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (a) any modification (except as mentioned above) of the Notes, the Receipts, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

## **16. Further Issues**

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

## **17. Contracts (Rights of Third Parties) Act 1999**

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

## **18. Governing Law and Submission to Jurisdiction**

### **(a) Governing law**

The Agency Agreement, the Deed of Covenant, the Notes, the Guarantee, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with any of the above shall be governed by, and construed in accordance with, English law, except that Conditions 2(b), (c), (d) and (e) relating to the Subordinated Notes are governed by, and will be construed in accordance with, Italian law.

### **(b) Submission to jurisdiction**

The Issuer agrees, for the exclusive benefit of the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Receipts and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes, the Receipts and/or the Coupons) and that accordingly any suit, action or proceedings arising out of or in connection with any of the above (together referred to as "Proceedings") may be brought in such courts.

The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have

been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer 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) Appointment of Process Agent**

The Issuer appoints Banca Monte dei Paschi di Siena S.p.A., London branch at its registered office at 6th Floor, Capital House, 85 King William Street, London EC4N 7BL as its agent for service of process, and undertakes that, in the event of such agent ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

**(d) Other documents**

The Issuer and, where applicable, the Guarantor have in the Agency Agreement, the Guarantee and the Deed of Covenant submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.



## **USE OF PROCEEDS**

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

## BANCA MONTE DEI PASCHI DI SIENA S.p.A.

### General

Banca Monte dei Paschi di Siena S.p.A. (“BMPS” or the “Bank”) was incorporated on 14 August 1995 as a joint stock company (“*Società per azioni*”) under Italian legislation. On 23 August 1995 BMPS was registered with the Bank of Italy’s Register (No. 5274) and with the Companies Register (No. 00884060526). BMPS has its registered office in Piazza Salimbeni 3, 53100, Siena, Italy (telephone number: +39 0577 294 111). BMPS’s duration is to 31 December 2100 and may be extended by shareholders resolution.

BMPS’s corporate purpose, as set out under Article 3 of its By-laws, is as follows: “The purpose of BMPS is to collect and maintain savings and issue loans and credit, in various forms in Italy and abroad, including any related activity permitted to lending institutions by current regulations. BMPS can carry out, in accordance with the laws and regulations in force, all permitted banking and financial activities and any other transaction which is instrumental, or in any case linked, to the achievement of the company’s purpose.”

BMPS is the parent company of a leading Italian banking group operating throughout Italy and in major international financial centres. The Monte dei Paschi Group (the “BMPS Group” or the “Group”) offers a wide range of financial services and products to private individuals and corporations. The products and services include ordinary and specialised deposit-taking and lending, including leasing and factoring; payment services (home banking, cash management, credit or debit cards and treasury services for public entities); asset management (closed-ended and open-ended mutual funds, management of customer investment portfolios, life insurance policies and pension funds), brokerage services and corporate finance (project finance, merchant banking, financial consulting).

The BMPS Group reported a consolidated net profit of approximately € 640.9 million for the first nine months of 2008 and a return on equity of 9.7%.

### History

BMPS, which is believed to be the oldest bank in the world, has been in continuous operation since 1472, when the General Council of the Republic of Siena approved its original charter. The Bank, then known as “Monte di Pietà”, was originally established by the Republic of Siena for the purpose of providing a controlled source of lending for the local community and to fight usury. In 1624, the Bank changed its name to “Monte dei Paschi di Siena” after the paschi, the grazing fields owned by the Grand Duchy of Tuscany, which generated income that was pledged to support the Bank’s capital. Following the unification of Italy, the Bank extended its activities beyond the immediate outskirts of Siena. However, significant expansion of the Bank’s activities occurred only after World War I, both geographically (with the opening of approximately 100 additional branches) and in terms of activities undertaken (with the commencement of various tax collection activities on behalf of national and regional governments). In 1936, the Bank was declared a public credit institution (*Istituto di Credito di Diritto Pubblico*) organised under a new charter, which, although modified during this period, remained in force until 1995.

In 1995 the Bank was reorganised according to the Amato Law. At that time the Bank was incorporated as a *Società per azioni* or joint stock company, and was owned by Monte dei Paschi di Siena — Istituto di Diritto Pubblico (the “Foundation”), a newly-formed non-profit entity. In accordance with the Amato Law, the Bank was given sole responsibility for all banking activities, while the objects of the Foundation were limited to pursuing projects of social importance in the areas of scientific research, education and health care.

On 25 June 1999 the Bank and the Foundation completed an initial public offering of 575,728,000 ordinary shares (representing approximately 28% of the then outstanding ordinary shares of the Bank) to investors in Italy and to institutional investors in certain other jurisdictions. The Foundation currently holds 46.3% of the Bank’s ordinary shares.

From 1998 to 2000 the Group strengthened its presence in Italy through the purchase of other regional banks:

- In 1998 BMPS acquired 20% of Banca Popolare di Spoleto S.p.A.;
- On 20 February 1999 the Bank acquired 70% of Banca Agricola Mantovana S.p.A. (“BAM”), a bank operating principally in Lombardy and Emilia;
- In 1999 the Bank also acquired minority stakes in Banca Monte Parma S.p.A. (41%) and Cassa di Risparmio di San Miniato S.p.A. (“CRS”) (25%); and
- On 27 July 2000, the Bank purchased approximately 53.25% of Banca 121 S.p.A. (“B 121”). Following a public tender offer to acquire the residual outstanding shares which was completed on 13 November 2000, the Bank increased its shareholding in B 121 to 93.98 % of B 121’s outstanding shares.

In December 2002 B 121 was merged by incorporation into BMPS, except for B 121’s financial promotion business which was transferred to a newly incorporated bank called Banca 121 Promozione Finanziaria (“B 121 PF”). BMPS aimed to consolidate its presence in Puglia through the merger with B 121.

In March 2003 BAM and Banca Toscana S.p.A. (“BT”) were merged by incorporation into BMPS. The merger transaction occurred simultaneously with the spin-off of the banking activities of the subsidiaries to two new banks. The new institutions, which are totally owned by BMPS and thus are not publicly traded, maintain their respective brand names.

On 1 April 2004 the Board of Directors of BMPS approved the creation of a new corporate finance bank within the Group, originating from the activities of three of the Group’s banks: MPS Bancaverde, MPS Finance Banca Mobiliare and MPS Merchant.

On 30 May 2004 Banca Steinhauslin was merged by incorporation into BMPS as part of the Group’s reorganisation plan of its private banking activities. The accounting treatment of the merger took place as of 1 January 2004.

The re-launching and re-organisation plan relating to B 121 PF was implemented, with the objective of reaching an operational break-even point by 2006, as part of which the corporate name of B 121 PF was changed to MPS Banca Personale as of 3 January 2005.

In February 2007 Holmo, the company that controls Unipol Assicurazioni via Finsoe, and BMPS signed an agreement for the sale by BMPS to Holmo of Finsoe shares accounting for 14.839% of Finsoe’s total share capital. On 1 July 2008 BMPS sold to Holmo its remaining equity stake in Finsoe (13% of Finsoe’s total share capital).

In June 2007, Intesa Sanpaolo (“ISP”) and BMPS signed a sale-and purchase agreement relating to the 55% stake currently owned by ISP in Biverbanca which has a network of 105 branches concentrated in the Biella and Vercelli provinces.

On 26 July 2007 AXA and BMPS signed a sale-and-purchase agreement relating to 100% of the share capital of AXA SIM. By entering into this transaction the BMPS Group significantly strengthened its competitive position in the Italian asset gathering market, increasing the size of its financial advisors’ distribution network and improving its geographic coverage, achieving a better presence in some areas of the country that were scarcely covered.

On 23 March 2007 AXA and BMPS announced that they reached an agreement for the establishment of a long term strategic partnership in life and non-life bancassurance as well as in the pensions business. The agreement was signed in October 2007, following which AXA acquired 50% of Montepaschi Vita and Montepaschi Assicurazione Danni and 50% of the pension funds business and the management of insurance assets (Euro 13 billion at December 2006).

On 10 September 2007 the capital market activities of MPS Finance were integrated into the corporate line of business of MPS Banca per l'Impresa and a new company, MPS Capital Services Banca per le Imprese, was created.

On 8 November 2007 the BMPS Group and Banco Santander ("Santander") reached an agreement for the sale of Banca Antonveneta S.p.A. ("Antonveneta") to the BMPS Group. The transaction had a strong strategic rationale, allowing BMPS to:

- consolidate its role as the third largest banking group in Italy in order for BMPS to be well-positioned to compete with the other leading banking groups in the domestic and European market;
- strongly reinforce its core business: the acquisition of Antonveneta allows the BMPS Group to significantly enhance its penetration in the retail market in Italy;
- grow significantly in size, increasing its network of branches (from about 2,000 to about 3,000 branches) and its market share. In particular, the BMPS Group will increase its presence in the regions of Northern Italy; and
- sustain growth in revenues and profitability by integrating Antonveneta's activities with those of the BMPS Group, which will create value as a result of cost savings and efficiencies due to economies of scale.

To finance the acquisition, the BMPS Group increased its paid up share capital by a Euro 5 billion rights issue capital increase offered pre-emptively to all shareholders and by a Euro 1 billion issue of ordinary shares reserved for subscription by a JP Morgan Chase & Co.'s subsidiary, with the exclusion of any option rights.

On 30 May 2008 the BMPS Group and Santander completed the sale of Antonveneta, executing the agreement on 8 November 2007.

On 9 July 2008 BMPS reached an agreement to sell its stake in Banca Monte Parma S.p.A (49.27%) to Banca Sella Holding S.p.A. (10%), CBA Vita S.p.A (3%), HDI Assicurazioni S.p.A. (3%), Fondazione di Piacenza e Vigevano (15%) and Fondazione Monte Parma (18.27%).

On 16 September 2008 BAM was merged by incorporation into BMPS.

On 29 October 2008 BMPS and Clessidra SGR signed an agreement for the sale of the entire share capital of the Group's asset management subsidiaries (Monte Paschi Asset Management SGR and AAA SGR) to a NewCo, 67% of which will be owned by the fund Clessidra Capital Partners II and 33% of which is owned by the BMPS Group. With this transaction Clessidra and the BMPS Group confirmed their objective to develop a leading independent player in the Italian asset management market, characterized by a high level of capabilities.

## **Strategy**

The new business plan for the years 2008 to 2011 (the "Business Plan") is centered around the acquisition of Antonveneta and the resulting restructuring of the BMPS Group to further improve its performance. Such restructuring will allow the BMPS Group to capitalise on the benefits of the industrial initiatives defined and implemented in the precedent Business Plan for the years 2006 to 2009 while implementing new strategic and organisational actions, which will result in a sharp break with past traditional practices. This set of actions will allow the BMPS Group to cope with challenges resulting from changes in the Italian banking market via an innovative proposition, which will create value by boosting commercial effectiveness and by enhancing the BMPS Group's structural and operational efficiency. Such goals are the result of decisions taken over the last one and a half year (rationalisation of the product platform, joint venture in the insurance sector, reallocation of some assets and focus on the bank's core business) and of positive management track record as also proven by the BMPS Group's 2007 results.

The Business Plan envisages the integration of Antonveneta and the resulting restructuring of the BMPS Group to generate synergies of Euro 732 million, comprising Euro 256 million from revenue enhancement (commercial initiatives on Retail, Corporate and Private Divisions) and Euro 476 million from cost savings (Euro 144 million from lower personnel expenses and Euro 332 million from lower administrative expenses). The integration costs to generate these synergies are estimated to amount to Euro 577 million.

In terms of performance, the Business Plan will allow the Group to achieve in 2011 a target net income of about Euro 2.2 billion, a cost/income ratio of 47% and a Return on Equity ratio (“ROE”) of approximately 13%, in line with domestic best practice. By the end of the Business Plan, revenues are envisaged to increase from Euro 6.86 billion pro-forma in 2007 to Euro 7.91 billion in 2011 while operating costs are expected to decrease from Euro 4.15 billion pro-forma in 2007 to Euro 3.66 billion in 2011.

The Business Plan clearly identifies the guidelines underlying the process which will lead to the achievement of the planned results.

#### *1. Optimisation of the distribution structure*

The Group’s distribution network will be redefined based on a territorial exclusivity principle to strengthen commercial action in traditionally highly penetrated areas:

- BMPS as network covering the entire national market;
- New Antonveneta as reference bank in the North-East; and
- Biverbanca as reference bank in the areas traditionally covered in Piedmont.

Redesigning the distribution network will be realised also through the integration of BAM and BT into BMPS. BMPS further plans to diversify its client approach via a particular focus on alternative distribution channels (e.g. Banca Infinita, MPS Banca Personale) and the introduction of dedicated resources focused on new client acquisition (network of developers). The creation of lean central structures will result in resources being released and allocated to new opportunities created by the qualitative-quantitative strengthening of the commercial network.

#### *2. Enrichment of the new production platform*

BMPS will continue to maintain a clear strategic focus for the Group’s “naturally” controlled product factories as specialised centres of excellence (e.g. MPS Capital Services), pursuing the strategy initiated with the precedent business plan, through:

- Optimised selection and management of third party suppliers, leveraging on the recently created Wealth Management platform;
- Selective retention of product factories, also in partnership with leading players in the sector (e.g. ongoing partnership in asset management and partnership with AXA in the insurance business); and
- Joint venture with a specialised partner in non-performing loan business.

#### *3. Further specialisation for clients*

Further specialisation of the services offered to clients will be achieved by introducing and strengthening a network of experts and through a specialised coverage of the corporate and high net worth private segments. In particular: MPS Capital Services is a centre of excellence in supplying products and services to corporates, with new offices opening in Padova and Rome.

#### *4. Structural efficiency enhancement*

The Business Plan provides for a reduction of operating costs through the integration of Antonveneta and the other banks of the Group (with the exception of Biverbanca), the redefinition of the role and

dimension of the Headquarters and of the intermediate structures, with a view towards creating lean Network Banks focused on commercial activity, and the organisational centralisation of back office, ICT and credit units.

#### 5. *Capital optimisation*

The Business Plan provides for “active” risk and capital management through an integrated programme of structural improvement of the Group risk-weighted assets profitability via the adoption of a risk efficient business model and, in particular:

- “Active” management of the Risk Weighted Assets (“RWA”)/Loans ratio;
- Asset profitability maximisation; and
- Commercial discipline programme, aligning front-line behaviour to the risk-efficient business model.

### **Recent Developments**

Effective in the second quarter of 2008, the Business Plan is being implemented through a string of strategic projects. The corporate reorganisation process, which has already begun, represents the first step towards complying with the Business Plan and the Group’s strategic vision, by simplifying the terms of governance of the Group and by optimising available capital. The Business Plan defines all projects to be completed during the next three years as follows (divided into four macro areas of projects):

- Network integration: corporate reorganisation, integration of the commercial networks and sale of branches;
- Market integration: initiatives of commercial re-launch and credit strategies;
- Efficiency: adoption of the new organisation model, initiatives to boost efficiency in relation to administrative expenses and actions in relation to human resources; and
- Group capital optimisation: funding of the Antonveneta transaction, asset disposal and RWA actions boosting the efficiency of the Group.

The following are the major initiatives being contemplated:

#### 1. *Network Integration*

Following the completion of the Antonveneta acquisition late in May 2008, the first step towards the integration of Antonveneta’s activities into those of BMPS was finalised in June 2008, with the migration of the Information Technology system, the integration of Finance, Back Office IT and the Call Center.

The Group made an application to the Bank of Italy to obtain the authorisation for the merger by incorporation of Antonveneta into BMPS, with the subsequent spin-off of Nuova Banca Antonveneta, which came into effect on 1 January 2009.

In addition, BAM merged into the BMPS Group in September 2008.

The sale of branches to the market for Antitrust purposes is expected to be finalised no later than by the end of Q1 next year.

#### 2. *Market Integration*

The Group identified a string of initiatives by commercial segment:

- “Retail” re-launch: the Group has defined the new structure of the Group’s Geographical Areas and approved the new Business Plan of Consum.it – which is now being

implemented – and the reorganisation of the Group’s *monetica*. The Group expects (i) to re-launch the affluent and small business service models through actions oriented towards increasing commercial productivity and quality of the services offered to customers; (ii) to consolidate advisory services in the network by introducing: highly qualified specialists, marketing specialists with the task of acquiring new customers and “itinerant account managers” in support of the commercial operations of non structured branches. A new branch plan shall contribute to ensure an ideal integrated geographical coverage at the Group level. The Group shall launch “Banca Infinita” with the objective of maximising the profitability of innovative channels by encouraging the migration of the customers towards lower-cost alternative channels and ensuring a higher service quality.

- “Private” re-launch: the Group expects to create a new unit dedicated to the management of (Upper) High Net Worth Individual customers through a specialist model which meets the requirement of an integrated management of financial supply and advisory services, with tests already started at Antonveneta. The Group shall (i) relaunch the Private Banking service model through actions oriented to maximising the Group commercial efficiency, (ii) set up a Group specialist advisory unit with the introduction of special advisors and product specialists, (iii) reorganise Banca Personale to ensure full efficiency and commercial effectiveness and (iv) establish an Asset Management Area to create a single Group specialist unit centralising the asset management business.
- “Corporate” re-launch: the Group has already approved - and is implementing - the new Business Plan of MPS Capital Services which contemplates to re-position the company as the corporate specialist vehicle servicing medium-size and large companies and the partner of reference for any requirements of corporate finance, risk management and access to capital markets. The Group expects to develop the Small Medium Enterprises (“SME”) service model, maximising the commercial effectiveness of the managers and the model of support to the network in relation to international specialist services and consolidating customers’ assistance, administrative management and post sale services. The consolidation of the key clients service model is also expected through the creation of dedicated teams and geographical units in selected high-potential areas.
- Lending strategy: the Group expects to reorganise its lending operations by establishing “multi-bank” units of loan labs within the major branches, organised by geographical areas.

### 3. *Efficiency*

The integration of Antonveneta and the Group reorganisation shall enable the Group to achieve a high level of efficiency, through:

- The adoption of a new organisation model: the Group has already approved the guidelines which will become fully operational by the end of the year, thus ensuring the achievement of the objectives of efficiency expected as a result of centralisation and integration.
- Administrative expenses: the initiatives to be implemented in order to achieve the Business Plan objectives have been identified, and partly already started, both in terms of synergies (due to the new Group structure and the new organisation) and cost management initiatives (optimisation and control of purchasing and expense processes).
- Actions in relation to human resources: the workforce trends are in line with the Business Plan estimates and confirm the general objectives (global staff reduction and improvement of the Group front to back ratio), as a result of the joint effect of corporate integration and asset disposal and the use of technical measures (early retirement plans and solidarity fund).

#### 4. *Group Capital Optimisation*

After successfully completing the capital increase required to raise funds for the acquisition of Antonveneta, asset disposal transactions currently under way resulted in the sale of equity investments held in Finsoe, MPS Finance (after concentrating the activity of Depository Bank on this company) and Fontanafredda.

As of 30 September 2008, the Group sold the subsidiaries Marinella S.p.A. and Valorizzazioni Immobiliari S.p.A., which were already considered as discontinued operations as of 31 December 2007. In relation to the sale of the investment in Banca Monte Parma, the buyers are waiting for the necessary authorisations from the relevant authority.

The chart on the following page sets out the principal companies of the Group and their percentage ownerships as at 23 January 2009.

#### **Extraordinary measures taken by the Italian Government in relation to the financial crisis**

In order to cope with the current financial crisis, support and stabilise the banking system and protect the investors, on 8 October 2008, the Italian Government approved the Law Decree No. 155 (“**Law Decree 155**”), published in the Official Gazette on 9 October 2008 and the Law Decree No. 157 of 13 October 2008 (“**Law Decree 157**”) which completes the instruments available to the Government with Law Decree 155. The measures provided therein shall be available until 31 December 2009.

Law Decree 155 generally provides for: (i) the Ministry of Economy and Finance to financially support the recapitalisation of Italian banks by subscribing for shares issued in the context of capital increase or by guaranteeing for their subscription on the capital increases, provided certain conditions are met; (ii) the increased possibility for Italian banks to apply for the extraordinary administration procedure; (iii) the Bank of Italy to grant loans guaranteed by a pledge or receivable assignment and the Ministry of Economy and Finance to provide State guarantee over such loans; and (iv) the Ministry of Economy and Finance to release a State guarantee over bank deposits in addition to the existing ones.

Provided certain conditions are met, Law Decree 157 authorises the Ministry of Economy and Finance to: (i) grant at market conditions a State guarantee with respect to liabilities of Italian banks and over any transaction entered into by Italian banks, in order to obtain temporary availability of securities eligible as collateral for refinancing within the Eurosystem; and (ii) carry out temporary exchanges of Italian Government’s securities with securities held by Italian banks.

After consultation with the Bank of Italy, the Ministry of Economy and Finance was required to issue the implementation provisions specifying criteria, conditions and procedures of the measures described under both Decrees.

The provisions of Law Decree 155 and Law Decree 157 have been converted, with some amendments, into the single law No.190 of 4 December 2008, published in the Official Gazette on 6 December 2009 (“**Law 190**”). With the publication of Law 190, the Law Decree 157 has been repealed and the provisions of Law Decree 157 have been included in Article 1 bis of Law 190.

On 27 November 2008, the Ministry of Economy and Finance have issued a Ministerial Decree implementing the provisions of Article 1 bis of Law 190 (“**Implementing Decree**”) specifying the criteria, conditions and procedures with respect to (i) the State guarantee in relation to the liabilities of the Italian banks, (ii) the availability of securities eligible as a collateral for refinancing with the Eurosystem and (iii) the exchange of Italian Government’s securities with securities held by Italian banks.

The Implementing Decree has been published in the Official Gazette on 9 December 2008.



GRUPPO BANCARIO MONTE DEI PASCHI DI SIENA  
(*BMPS GROUP*)

BANCHE  
(*BANKS*)

ITALIA (ITALY)  
Banca Antonveneta S.p.A. 100%  
Banca Toscana SpA 100%  
MPS Banca Personale SpA 100%  
MPS Capital Services Spa 99,91 %  
MPS Leasing & Factoring SpA  
100%  
MPS Gestione Crediti Banca SpA  
100%  
Cassa di Risparmio di Biella e  
Vercelli SpA 59%

ESTERO (ABROAD)  
Monte Paschi Banque S.A. 100%  
Banca Monte Paschi Belgio 100%  
Monte Paschi Monaco SAM 100%

ITALIA (ITALY)  
Agrisviluppo SpA 99,07%  
Crene Finance S.r.l. 60%  
Consum.it SpA 100%  
Santorini Investments LTD 100%  
Siena Mortgages 001 S.p.A. 100%  
Ulisse 2 SpA 60%  
Ulisse SpA 60%  
Antonore Finance SpA 98%  
Giotto Finance SpA 98%  
Giotto Finance 2 SpA 98%  
MPS Commerciale Leasing SpA.  
100%  
MPS SIM S.p.A. 100%  
Seashell II S.r.l. 100%  
Theano Finance S.p.A. 98%

FINANZIARIE  
(*FINANCIAL COMPANIES*)

ESTERO (ABROAD)  
Monte Paschi Ireland Limited  
100%  
Monte Paschi Luxembourg S.A.  
100%  
MPS Preferred Capital I, Llc 100%  
MPS Preferred Capital II, Llc  
100%  
Antonveneta ABN Amro  
Investment Funds Ltd 100%  
Antonveneta Capital LLC I 100%  
Antonveneta Capital LLC II 100%  
Antonveneta Capital Trust I 100%  
Antonveneta Capital Trust II 100%

ITALIA (ITALY)  
Monte Paschi Asset Management  
SGR SpA 100%  
MPS Venture SGR SpA 70%  
MPS Alternative Investment SGR  
SpA 100%  
ABN Amro Asset Management  
Italy SGR SpA 100%

SOCIETA' DI GESTIONE RISPARMIO E DI  
INTERMEDIAZIONI MOBILIARE  
(*FINANCE MANAGEMENT COMPANIES AND  
FINANCIAL INTERMEDIARIES (SIMS)*)

ESTERO (ABROAD)  
MPS Asset Management Ireland  
Ltd 100%  
Monte Paschi Invest 100%

SERVIZI COLLATERALI E FUNZIONALI ALL'ATTIVITA'  
BANCARIA E ALTRE

(OTHER SERVICES CONNECTED TO THE BANKING ACTIVITY)

ITALIA (ITALY)  
MPS Tenimenti SpA 100%  
Consorzio Operativo Gruppo  
M.P.S. 100%  
Monte Paschi Fiduciaria SpA 100%  
Paschi Gestioni Immobiliari SpA  
100%  
MPS Immobiliare SpA 100%  
G.Imm. Astor Srl 52%  
Magazzini Generali Fiduciari di  
Mantova 100%  
Antonveneta Immobiliare SpA  
100%  
La Cittadella SpA 100%  
Salvermini S.r.l. 100%

ALTRE AZIENDE CONTROLLATE NON FACENTI PARTE  
DEL GRUPPO BANCARIO

SETTORE ASSICURATIVO (INSURANCE SECTOR)

ITALIA (ITALY)  
ESTERO (ABROAD)  
Monte Paschi Assurance S.A.  
99,40%

ALTRE AZIENDE COLLEGATE NON FACENTI DEL GRUPPO BANCARIO  
(OTHER CONNECTED FINANCIAL COMPANIES WHICH ARE NOT PART OF THE BMPS GROUP)

ASSICURATIVE  
ITALIA (ITALY)  
AXA MPS Assicurazioni  
Vita Spa 50%  
AXA MPS Assicurazioni  
Danni S.p.A. 50%  
Antoniana Veneta  
Popolare Assicurazioni  
S.p.A. 50%  
Antoniana Veneta  
Popolare Vita S.p.A. 50%

SERVIZI RISCOSSIONE  
TRIBUTI  
(TAX COLLECTION SERVICES)

ITALIA (ITALY)  
Riscossione Sicilia S.p.A. 40%  
Serit Sicilia S.p.A. 40%

BANCHE (BANKS)

ITALIA (ITALY)  
Banca Popolare di Spoleto  
SpA 25,93%

FINANZIARIE (FINANCIAL COMPANIES)

ESTERO (ABROAD)  
Microcredito di Solidarieta'  
SpA 40%  
SI Holding SpA 24,47%  
Spoleto Crediti e Servizi  
Scarl 29,09%  
Fidi Toscana SpA 29,18%  
S.I.C.I. SGR SpA 29%  
Fabbrica Immobiliare SGR  
SpA 45%  
Integra SpA 50%  
Intermondo SIM 20%

ALTRE PARTECIPAZIONI CONTROLLATE  
(OTHER HOLDINGS)

MPS Investments S.p.A. 100%  
Marinella SpA 100%  
Agricola Poggio Bonelli 100%  
San Paolo Acque in liquidazione  
Srl 100%  
E-idea SpA in liquidazione 100%

### **The distribution network, restructuring, and efficiency gains:**

- 150 new branches and 50 transfers;
- Strengthening of market presence;
- Streamlining of general management and the group parent; and
- Implementation of the Innovative Channels area for MPS Net the Group's multi-channel distribution strategy.

In line with the initiatives for business development, the rationalisation and restructuring which began during the previous three years is scheduled to continue. In particular, personnel is to be reduced by 10%, through both the sale (in October 2006) of the tax collection segment and the reorganisation of the banking units and the product and service companies, which includes a significant programme of new hires and an equally significant retirement programme for the older employees. All necessary steps are taken to both reduce corporate staff and to strengthen the distribution network, while reducing the average cost of personnel. The streamlining of general management and the rationalisation of the parent company branches make it possible to free up time and resources in order to strengthen the distribution network (through employee retraining programmes), as well as to increase front-office personnel. In terms of administrative expenses, cost-cutting initiatives are to become increasingly structural, focusing on centralisation of procurement marketing, a more sophisticated use of capital budgeting mechanisms, and additional cost management initiatives (in the amount of some €90 million).

Since 2006, the Group has put in place strategic implementations to deliver to customers, on its distribution network, truly multichannel offerings. In line with this, the creation of a dedicated unit managing all distribution channels (the Distribution Channels Department) has been crucial for the Group's distribution strategy, ensuring a coherent approach to the multichannel challenge. The Distribution Channels Department co-ordinated several ICT interventions in the past 3 years, leading to the delivery of a multichannel platform. Such platform, presided at Consorzio Operativo Gruppo Montepaschi, is now governing the following main macro-functionalities:

- Truly single-device access to Internet and phone banking;
- Full convergence between Internet and phone usage ("VOIP");
- Cross-channel communication platform (the so-called "GECO"), allowing personalised direct channel messaging to target clusters of users; and
- Rollout of digital signature functionalities.

The "*Multicanalità Integrata*" initiative has been the main driver of the Group's successful growth of direct channels users to over 1,000,000 (such growth was for more than 100% from September 2006 to September 2008). Throughout the multichannel delivery project, the Group's Contact Centre acted as a cross-channel operations hub for the Group's interactions with both its clients and the branch personnel (with the "*Isola della Rete*" project, whose roll-out phase was completed in the first semester of 2008).

Finally, moving from the multichannel model, the Group launched, as part of the Business Plan, the "infinita offering line" initiative, which leverages off on the Group's competitive edge represented by its capillary network of branches and catalyses the Group's commercial effort in the direct channels space, as described below.

The plan to expand and rationalise the network during the three-year period calls for the opening of approximately 200 branches (150 new branches and 50 transfers) in geographic areas that show high profit potential and in which the BMPS Group already has a presence. New private and small business centres are opening, and the network of financial advisors of MPS Banca Personale is optimising. An innovative channels area is also created for developing multiple, integrated channels through the extensive use of technology, in order to provide technical and service support to the commercial units.

## **Active management of credit risk and optimisation of capital**

- Reduction of the weight of financial assets, equity investments, and other non-current assets.

A great deal of emphasis is placed on actively managing credit risk, which is expected to benefit from the increased efficiency of the related line of business, as well as from the improvement in the processes of disbursement and monitoring by customer segment and the introduction of advanced credit risk management techniques following the Basel II project.

There will also be initiatives involving the Group's capital structure in order to improve profitability and solidity. In particular, the weight of financial assets is to be reduced, and there is to be a capital reallocation from non-current assets (equity investments, real estate, and non-performing loans) in favour of the core business (by approximately 7%). Other initiatives related to RWA optimisation are being implemented, with a strong monitoring of credit portfolio and ad hoc credit policies aimed to improve the distribution of quality credit assets. Both the structure and the cost of funding are also to be optimised. These actions are intended to enable the BMPS Group to strengthen its capital ratios (with the Tier I ratio greater than 7% as indicated in the new Business Plan), as well as to ensure adequate returns for the shareholders and to generate a capital surplus that is significantly beyond the targets, which will make BMPS free to make strategic decisions in complete autonomy.

## **Distribution**

### *General*

The Group's banks draw their funding and provide their services through a variety of channels, predominantly relying on their extensive networks of branches. Other distribution channels include financial shops, ATMs, online and remote banking services and a network of POS terminals, call centres and personal financial consultants.

The Group's distribution philosophy focuses on proximity to the client, which management seeks to achieve through a strong territorial presence and by continuously tailoring its market approach to cater to a wide range of clients. The traditional branch remains the mainstay of client contact, but electronic and telephone banking are growing rapidly in importance. Management believes that the lower overhead costs required by these non-traditional networks provide an opportunity for significant saving, while also granting clients access to a wide range of banking and financial services. In addition, with non-traditional networks performing a substantial volume of routine transactions and the distribution of lower value-added products, the overhead costs of the branch network can be reduced.

### *The "infinita" offering line*

Addressing a fast-growing demand for a complete, and yet secure, user-friendly and economically advantageous line of financial products and services delivered over the "direct channels" (Internet, phone, mobile, and ATM), the Group first experimented, and then launched, in July 2008, the "infinita" line of offering. Under the infinita umbrella brand, the Group offers a variety of products for the retail, corporate and private markets, specifically designed for customers that prefer usage of such direct channels. The products delivered by infinita over the direct channels span from basic services such as banking accounts, assorted cards, mobile banking services, as well as digital signature-based products, to investments products (also in partnership with consum.it) and bankassurance products (in partnership with AXA-MPS).

Infinita is featuring the latest technological developments (for example, web 2.0) to fulfil the most sophisticated customer needs. The "infinita" line of offering is publicly available at the [infinita.mps.it](http://infinita.mps.it) website. The latest infinita products released are the "online bank account" (contoonline), that is characterised by:

- No fixed costs;
- Ease of use, with a high return module (based on a fixed-term deposit product, guaranteed by BMPS) purchasable directly from the Internet Banking interface;

- State-of-the-art standards of security; and
- Truly cross-channel functionalities (including its exclusive “Personal Support” service), delivering an “ever-ready bank”-type user experience.

As part of the Business Plan, a well rounded implementation calendar has been agreed upon for the infinita offering line, with the commercially differentiating message of joining, by means of infinita, appealing offerings with solid banking practice, all enriched by a capillary network of branches: that is E-banking Montepaschi style.

#### *The Branch Network*

As at 30 June 2008 the Group had a network of 3,094 branches in Italy, covering most of the country. 42% of the branches are located in Northern Italy, 36% in Central Italy and 22% in the South of Italy.

The acquisition transactions have increased the number of branches by 50%. Consequently, the new Business Plan will focus on the optimisation of the distribution network instead of focusing on its implementation. The distribution network will be implemented especially in the North of Italy.

The new Business Plan also entails substantial changes to the corporate and organisational structure of the banks of the Group. There will be a corporate reorganisation which will lead to the merger of Banca Agricola Mantovana, Banca Toscana and Antonveneta in BMPS by 31 March 2009. The merger of Banca Agricola Mantovana was completed on 22 September 2008 and the merger of Antonveneta was completed on 1 January 2009 with the subsequent spin-off of its branches located in Triveneto and the incorporation of the Nuova Banca Antonveneta S.p.A. (with roughly 400 branches). After the merger of Banca Toscana, which will take place on 31 March 2009, the Group will have the structure set out in the new Business Plan which will guarantee the commercial appeal of its brand.

## **Funding**

### *General*

During 2008 the Group successfully continued to employ various sources of funding, both traditional (i.e. CD's and interbank market) and innovative (structured finance). The Group also issued various kinds of securities, mainly plain vanilla bonds (“*obbligazioni*”) placed to retail customers of the BMPS Group throughout its network of branches, including the previous Antonveneta branches.

### **Bond Indebtedness**

As parent company, the Bank covers the medium term funding requirements for the entire Group by issuing a variety of debt instruments on the international markets mainly through euro-denominated issues of notes such as fixed rate, floating rate and zero coupon notes (including equity-linked and/or index-linked instruments for the insurance company of the Group's needs).

The activity in the international market reduced during in the second part of 2008 due to general turmoil in the international markets but the Bank will still consider the qualified investors market as an important and alternative source of funding, both for senior and subordinated issues.

Since the last update (14 December 2007) the Bank carried out a number of trades under its Programme (named “€50 billion Debt Issuance Programme”) for a total amount of about Euro 4.2 billion of senior and subordinated debt. These were both public and privately placed issues (including the activity oriented towards AXA-MPVita, the insurance company of the Group) with maturities from eighteen months up to six years.

## **Information Technology**

In recent years the Group has implemented a reorganisation of its information technology (IT) operations directed at promoting more uniformity of IT systems and structures within the Group. As part of

this restructuring, a consortium was created to manage the Group's IT systems and serve the need of the various functions within the Group.

The consortium is currently engaged in several development projects principally for the areas of risk management, trading back office procedures, credit rating and scoring, customer service centre, new products catalogue, payment and settlement procedures, and software enhancement for the international branches.

The Group does not have a separate hardware system for immediate recovery procedures; however, the Group has two distinct hardware systems (one located at the Bank and the other in Florence, serving BT) operating with the same IT system. The Group also maintains back-up files of its data. Management believes that, should severe disruptions occur on one hardware system, services can be restored, although on a limited basis, by operating the second hardware system.

## Competition

The Group faces significant competition from a large number of banks throughout Italy and abroad. According to the Bank of Italy, 805 banks were operating in Italy in June of 2008. Especially in the last decade, the implementation of the EU Directives has led to the privatisation of the Italian banking system; the participation in the capital is shared among foreign companies (16.5%), banking foundations (15%) and market (60.5%).

A relevant process of consolidation has created larger, more effective and competitive banking groups.

Competition in both deposit-taking and lending activities has intensified, contributing to the narrowing of spreads between deposit and loan rates.

In attracting retail deposits and financing retail customers, the Bank primarily competes at the local level with medium-sized local banks, and to a lesser extent, with super-regional banks. The Bank's major competitors in other areas of the Italian banking market are Italian national and super-regional banks, such as Intesa SanPaolo, UniCredit Group, Banco Popolare and UBI Banca.

Foreign banking institutions operating in Italy, that may also have greater financial and other resources than the Group, are growing in number (they were 79 at the end of 2007) and are regarded as increasingly more effective competitors, mainly in corporate banking and sophisticated services related to asset management, securities dealing, brokerage activities and mortgage lending.

## Legal Proceedings

The Group is involved in legal proceedings arising in the ordinary course of business, several of which include claims for significant damages. Although the outcome of these proceedings cannot be predicted, management does not believe that liabilities arising out of these claims are likely to have a material adverse effect on the Group's consolidated results of operations or financial condition. Set forth below is a summary description of significant claims and legal proceedings which involve the Group and its directors:

- On 21 February 2008, the litigation relating to bankruptcy claw-back brought to court by Parmalat S.p.A. against BMPS and certain companies of the BMPS Group has been settled by means of Settlement Agreements entered into between Parmalat S.p.A. and BMPS which provide, *inter alia*, for the termination of the relevant litigation in accordance with Art. 306 of the Civil Procedure Code.
- Trevitex S.p.A. ("Trevitex"). These proceedings filed in 1997 involve two derivative Shareholder suits by the principal Shareholders of Trevitex against a syndicate of 24 banks, including the Bank, in connection with the restructuring of the debt of Trevitex. The current claim for damages is approximately Euro 630 million, plus interest and revaluation since 1997. Each bank in the syndicate is jointly and severally liable for any award. Management believes the plaintiffs' claims are without merit and unlikely to be successful. Based on an internal

evaluation of the potential risk arising from this litigation, the Group has made provisions to the legal risk reserve. Following the mergers and/or incorporations which many of the 24 banks involved in the proceedings have undergone, the case has been interrupted and resumed a number of times. The court hearing for the statement of the parties' conclusions ("*precisazione delle conclusioni*") has yet to be set.

- Anatocism Litigation. In 1999 the Italian Supreme Court modified its prior jurisprudence in relation to anatocism and stated the non validity pursuant to Article 1283 of the Italian civil code of the quarterly capitalisation of interest on current account transactions, stating the nonexistence of "market uses" in the matter; a position which has been confirmed by the *Sezioni Unite* of the Supreme Court with its ruling No. 21095 of 4th November, 2004.

Management believes that sufficient funds have been allocated to cover the potential loss.

- Bertelli Group Litigation. The proceedings were initiated in May 2003 by two of the Bertelli Group companies in a claim for compensatory damages against certain lending institutions, including the Bank, which ended positively in 2004 by virtue of a complex settlement agreement entered into with the competent authorities of the bankruptcy procedure. In addition, the Bank entered into further settlement agreements with almost all the complainants and accordingly the management reckons that such litigation should not give rise to any significant risks.

Group Financial Products. Since the first months of 2003, the Bank received numerous complaints regarding certain financial and structured products, including "My Way", "4you" and BTP-linked products, sold by the Bank.

Management expects that the amounts potentially payable as settlement for the complaints will not exceed the amounts allocated to the credit risk fund and expressly reserved for this type of credit risk.

Legal proceedings alleging that the financial products sold were not appropriate for the client's investment expectations and the investigations on the sale conditions of the products are currently under way.

Based on an internal evaluation of the potential risk arising from this litigation, the Group has made provisions to the legal risk reserve.

- Bank Shareholder's Challenge. These proceedings have been initiated by an individual Shareholder of the Bank, holding 1,100 shares, challenging the Shareholders' resolutions of 26th April, 2003 approving the financial statements of the Bank for 2002 on the grounds that insufficient information was provided to the Shareholders to inform them about complaints involving certain financial products including "4you" and "My Way" and insufficient funds were allocated by the Bank to cover potential losses resulting from the complaints.

With a ruling dated 2nd November, 2006 No. 425, the Siena Court stated that the Shareholder's request was not acceptable due to lack of legal capacity to sue and interest to bring an action.

Management believes that this claim is without grounds and adequate allocations were made to cover potential liabilities.

## MANAGEMENT OF THE BANK

The management of the Bank is divided among the Board of Directors and the Chief Executive Officer, who manages the day-to-day operations of the Bank. The Board of Directors consists of ten members. The selection of such members must be notified to the Bank of Italy in accordance with the Bank of Italy Supervisory Rules (“*Istruzioni di Vigilanza*”). Each member of the Board of Directors is required to meet the honourability and professionalism requirements provided by law. The Chief Executive Officer is appointed by the Board of Directors but is not a member of the Board of Directors. Under the Italian Civil Code, the Bank is required to have a board of statutory auditors.

The Charter allows also the possibility for the Board of Directors to constitute the Executive Committee to which it can delegate its own attributions determining the limits of such delegation. At the moment, the Executive Committee has not been constituted.

### Board of Directors

The Board of Directors of the Bank is composed of the following persons:

<i>Name</i>	<i>Year of Birth</i>	<i>Position</i>	<i>Year Appointed</i>
Giuseppe Mussari	1962	Chairman	2006
Francesco Gaetano Caltagirone	1943	Deputy Chairman	2006
Ernesto Rabizzi	1940	Deputy Chairman	2006
Fabio Borghi	1952	Director	2006
Turiddo Campaini	1940	Director	2006
Lucia Coccheri	1950	Director	2006
Lorenzo Gorgoni	1942	Director	2006
Andrea Pisaneschi	1959	Director	2006
Carlo Querci	1928	Director	2006
Pierluigi Stefanini	1953	Director	2006

The Directors currently in office were all appointed by the annual general Shareholders’ meeting held on 27 April 2006. The present Board of Directors will remain in charge until the approval of the annual financial statements for the year ending 31 December 2008.

The following list describes the main offices held in other listed companies, finance, banking and insurance companies or companies of a significant size:

**Giuseppe Mussari:** Chairman of Fondazione Monte dei Paschi di Siena until 28 April 2006; Chairman of Comitato di Indirizzo della Cassa Depositi e Prestiti until 28th April, 2006. currently a member of the Board of Directors and the Management Committee of the Italian Banking Association (since July 2006), member of the Board of Directors of Sansedoni S.p.A. (since September 2006) and the Management Committee (since April 2007), member of the General Council of the Pattichiari Consortium (since December 2006), member of the Supervisory Board of AXA S.A. (since May 2007), member of the Steering Committee of Toscana Life Sciences (since January 2004).

**Francesco Gaetano Caltagirone:** as well as being Chairman of Caltagirone S.p.A., Caltagirone Editore S.p.A., Il Messaggero S.p.A., Il Gazzettino S.p.A. and Eurostazioni S.p.A., he is a director of Assicurazioni Generali S.p.A., Grandi Stazioni S.p.A. and Ical S.p.A.. He was appointed Cavaliere del Lavoro in 2006.

**Ernesto Rabizzi:** from 2001 to 2004 he was a member of the General Committee of the Fondazione MPS, from 2004 to 2006 he was Vice-President of the Provincial Administration of Siena. He is currently Chairman of the Company Pension Scheme for the Personnel of Monte dei Paschi di Siena since May 2006), Chairman of the Operational Consortium of the MPS Group (June 2006) and Chairman of Consum.it (April

2007), Vice-Chairman of Biofund S.p.A., as well as director of the Supplementary Pension Scheme for employees of BMPS.

**Fabio Borghi:** is currently a member of the Board of Directors of Banca Monte Parma and Unipol Gruppo Finanziario S.p.A., Chairman of MPS Gestione Crediti as well as Chairman of the Supplementary Pension Scheme for the employees of BMPS and Director of the Company Pension Fund for the personnel of BMPS.

**Turiddo Campaini:** Chairman of Unicoop Firenze soc. coop. since 1973. From 1981 to 2001 he was a member of the Board of Directors of Coop Italia Consorzio Nazionale Non Alimentari and from 2002 to 2007 he was Chairman of Brico Business Cooperation S.r.l.. In 2006 he was Chairman of the Board of Directors and Managing Director of Finsoe S.p.A.. Currently he is Director of MPS Capital Services, member of the Committee and the group of the Chamber of Commerce of Florence.

**Lucia Coccheri:** joined MPS Group in 2003 as a member of the Board of Directors of Paschi Gestioni Immobiliari, becoming Vice-Chairman in 2005 and Chairman in 2006. She is currently Vice-Chairman of Marinella S.p.A. and has been Chairman of Sienambiente S.p.A. since 2003 and Director of Finsoe S.p.A. since 2007.

**Lorenzo Gorgoni:** from 1973 to 1985 he was member of Board of Directors of Salento S.p.A., from 1978 to 1985 he was managing director, from 1991 to 1993 Vice-Chairman and from 1993 to 2000 Deputy Vice-Chairman. From 2000 to 2002 he was Chairman of the Board of Directors of Banca 121 S.p.A., and from 1988 to 1990 he was Chairman of the Board of the Directors of Banca di Bisceglie S.p.A.. He is currently director and member of the Management Committee of Banca Agricola Mantovana and Vice-Chairman of Monte Paschi Asset Management S.G.R..

**Andrea Pisaneschi:** admitted to the bar in 1985. Since 1997 he has been Full Professor of Institutions of Public Law at the University of Siena, Faculty of Law. He is currently a director of Monte Paschi Asset Management S.G.R., AXA MPS Assicurazioni Vita, di AXA MPS Assicurazioni Danni and Intermonte SIM..

**Carlo Querci:** graduated in law and practiced law from 1957 to 1980. He was member of the Board of Directors and Vice-Chairman of Banca Steinhauslin S.p.A. from 1968 to 1981 and from 1992 to 1997. He was member and subsequently Vice-Chairman of the Board of Directors of Banca Monte Parma. He is currently director of Banca Toscana and director of Monte Paschi Banque s.a. (Paris).

**Pierluigi Stefanini:** from 1990 to 1998 he was Chairman of the Legacoop of Bologna, from 1995 to 1998 he was Vice-Chairman of Legacoop Regionale Emilia-Romagna, from 1996 to 1999 Vice-Chairman of the Banca di Bologna (Banca di Credito Cooperativo), from 1998 to 2006 he was Chairman of Coop Adriatica, from 2001 to 2005 he was a member of the Steering Committee of the Fondazione Cassa di Risparmio di Bologna and from 2001 to 2004 member of the Scientific Committee of Nomisma S.p.A. He was Chairman and Managing Director of Unipol Assicurazioni from 9 January to 30 June 2006, subsequently becoming Chairman of the Board of Directors. Since April 2007 he has been Chairman of Unipol Banca and Aurora Assicurazioni. He is currently Chairman of Unipol Gruppo Finanziario. He is also a director of Finsoe S.p.A. (since 1998), Holmo S.p.A. (since 2001), Ariete S.p.A. (formerly FINEC Holding), BNL S.p.A. (since 2006), Euresa S.A. (Luxembourg), Fondazione Cassa di Risparmio di Bologna (since 2005) and Aeroporto G. Marconi di Bologna (since 2004). He is also member of the Committee of the Chamber of Commerce, Industry, Craftmanship and Agriculture of Bologna (since 2003) and Chairman of the Board of Directors of Impronta Etica S.p.A..

All the members of the Board of Directors should be considered as “non executive directors”, as: (i) the managing director, position stated by the by-laws (under Articles 18 and 22), has not been appointed; (ii) the Executive Committee, provided in Articles 18 and 19 of the by-laws, has not been set up; (iii) there are no directors which have managerial positions in the Bank.

In relation to the potential conflict of interests between the members of the Board of Directors’ duties and obligations towards the Bank and their private interests and/or other duties and obligations, it must be noted that the Board of Directors, having undertaken (as provided for by the *Codice di Autodisciplina delle Società Quotate*, the “Code”) a periodic assessment of the independence of the Directors on the basis of



information supplied thereby, approved that a certain number of non executive directors have met the independence requirements provided for in the Code after having assessed the non-existence of any relations, in the past or currently, between the Bank or other entities related to the Bank and, in any case, with the following directors: Francesco Gaetano Caltagirone, Ernesto Rabizzi, Fabio Borghi, Turiddo Campaini, Lucia Coccheri, Lorenzo Gorgoni, Andrea Pisaneschi, Carlo Querci and Pierluigi Stefanini.

Furthermore, it should be noted that pursuant to Article 26, paragraph 5 of the Bank's Bylaws, the members of the Board of Auditors of the bank may not hold offices in other banks which do not form part of the BMPS Group and in other banks which are jointly controlled.

Shareholders' meetings may be called by the Board of Directors and generally must be called at the request of holders of at least 10% of the outstanding ordinary shares. Directors hold office for a period of three years and are elected by *voto di lista*. The Chairman and two Deputy Chairmen are nominated by a majority of the voting Shareholders among the elected Board of Directors. Directors may be re-elected for consecutive terms and their office may be revoked at any time by the voting Shareholders in general meeting.

The Board of Directors meets regularly at the Bank's registered office. Meetings of the Board of Directors are convened on a monthly basis upon request of the Chairman. Meetings may also be convened upon reasonable and detailed request of at least three Directors or upon written request of the Board of Statutory Auditors or at least every Statutory Auditor addressed to the Chairman. Meetings may be held in person or through video-conference. The quorum for meetings of the Board of Directors is a majority of the Directors in office. Resolutions are adopted by the vote of a majority of the Directors attending the meetings.

### **Chief Executive Officer**

Pursuant to Italian banking regulations, the selection of the Chief Executive Officer (*Direttore Generale*) of the Bank must be notified to the Bank of Italy. The current Chief Executive Officer is Antonio Vigni.

The Chief Executive Officer is appointed by the Board of Directors which may also remove or suspend the Chief Executive Officer from his office. The Chief Executive Officer attends the meeting of the Board of Directors but has no right to vote on proposed resolutions at such meetings.

The Chief Executive Officer undertakes all operations and acts which are not expressly reserved for the Board of Directors or the Executive Committee. He oversees and is responsible for the overall administration and structure of the Bank and implements resolutions of the Board of Directors. He participates in meetings of the Board of Directors and proposes matters to the Board of Directors for approval, including matters relating to loans, the coordination of activities of the Group and the recruitment of officers and employees.

### **Senior Management**

Since 20 October 2008 five new business segments have been in place:

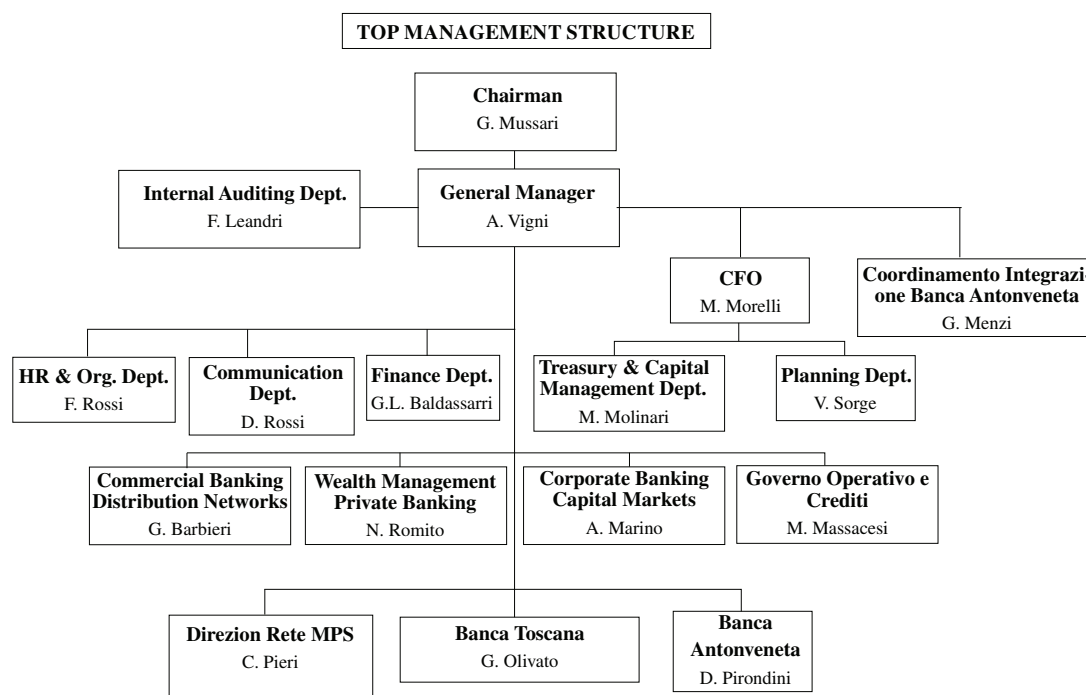
- Commercial Banking/Distribution Networks.
- Private Banking/Wealth Management.
- Corporate Banking/Capital Markets.
- Operational Governance
- Human Resources and Organasational Development

The table below sets forth the names of the current senior management of the Bank, together with their positions.

<i>Name</i>	<i>Position</i>
Antonio Vigni	Chief Executive Officer
Fabrizio Rossi	Deputy Chief Executive Officer
Antonio Marino	Vice Chief Executive Officer
Giuseppe Menzi	Vice Chief Executive Officer
Marco Morelli	Vice Chief Executive Office
Nicola Romito	Vice Chief Executive Officer

The introduction of a CFO, responsible for financial planning and reporting, tax planning, treasury, and capital allocation and management, completes the Group's reorganization.

The CFO named on 27 October 2008 is Marco Morelli.



## Board of Statutory Auditors

The Bank, like all Italian *società per azioni*, is required to have a Board of Statutory Auditors, who have a duty to Shareholders, to whom they report at the annual general Shareholders' meeting approving the financial statements. The Board of Statutory Auditors is required to verify that the Bank complies with applicable law and its by-laws, respects the principles of correct administration, maintains adequate organizational structure, internal controls and administrative and accounting systems. The members of the Board of Statutory Auditors are required to meet at least once every 90 days and may be present at meetings of the Board of Directors and Shareholders' meetings and of the Executive Committee. The Board of Statutory Auditors of the Bank is composed of three standing members and two alternate members. Statutory Auditors are appointed by the Shareholders at a general meeting for a three year term and may be re-elected for consecutive terms. The general meeting of Shareholders also sets the remuneration of the Statutory Auditors for their entire terms.

The Board of Statutory Auditors of the Bank, who will remain in office until the Shareholders' meeting to approve the financial statements for the 2008 fiscal year, is as follows:

<i>Name</i>	<i>Year of Birth</i>	<i>Title</i>	<i>Address</i>
Tommaso Di Tanno	1949	President	Sacrofano (RM) – Via Piane Pozza, snc
Pietro Fabretti	1943	Auditor	Perugia – Strada Olmo Valle, 1 8/d
Leonardo Pizzichi	1967	Auditor	Siena – Via delle Cerchia, 44
Carlo Schiavone	1960	Alternate Auditor	Roma – Via Claudio Monteverdi, 16
Marco Turillazzi	1961	Alternate Auditor	Siena – Strada del Mandorlo, 11

### **External Auditors**

Companies whose shares are listed on the *Mercato Telematico Italiano* (the Italian Stock Exchange for shares) are required to appoint a firm of external auditors that are to verify (i) that during the fiscal year, the relevant company's accounting records are correctly kept and accurately reflect the company's activities, and (ii) that the financial statements correspond to the accounting records and the verifications conducted by the external auditors and comply with applicable rules. The external auditors express their opinions on the financial statements in a report that may be reviewed by the Shareholders prior to the annual Shareholders' meeting. The external auditors are appointed by the ordinary Shareholders' meeting for a three-year term and may be re-appointed for up to three consecutive terms.

On 29 April, 2005, KPMG S.p.A. – Piazza Vittorio Veneto, 1 – Firenze – was re-appointed as the Bank's external auditors for a three-year period. The shareholders' meeting decided (6 December, 2006) to extend the appointment of KPMG to audit BMPS' statutory and consolidated year-end accounts for the 3-year period 2008-2010 and its half-year reports for the period 2008-2010 (30 June 2008, 2009 and 2010).

## Main Shareholders

Shareholder	No. of shares held	% of share capital and right of vote in ordinary shareholders' meeting	% of share capital and right of vote in extraordinary shareholders' meeting	% share capital on overall share capital
Fondazione Monte dei Paschi di Siena .....	2,544,187,735			
	ordinary shares			
	1,131,879,458	45.875	55.05	55.17
	privileged			
	18,592,066			
	savings			
Caltagirone Francesco Gaetano.....	262,000,000			
	ordinary shares	4.72	3.92	3.91
Barclays Global Investors UK Holdings Ltd .....	135,699,256			
	ordinary shares	2.45	2.03	2.02
AXA SA .....	120,928,175			
	ordinary shares	4.393	3.644	3.633
J.P. Morgan Chase & Co. ....	335,766,669			
	ordinary shares	6.05	5.08	5.01
Unicoop Firenze – Società Cooperativa .....	185,176,232			
	ordinary shares	3.34	2.77	2.76

The above table shows the main shareholders of the Group as at 31 December 2008.

Within the framework of the programme aimed at complying with the obligations relating to the handover of control over the Bank by Fondazione Monte dei Paschi di Siena, on 14 June 2003 the extraordinary shareholders' meeting resolved the conversion of the ordinary shares held by Fondazione Monte dei Paschi di Siena into privileged shares (pursuant to which the Fondazione Monte dei Paschi di Siena's ordinary share capital fell to 49% of the Bank's ordinary share capital); furthermore, a new provision was inserted in the BMPS By-laws which states that, should a bank foundation during an ordinary shareholders' meeting, as ascertained by the chairman of the assembly during the assembly and immediately before each vote, be able to exercise, on the basis of the shares held by the shareholders attending the meeting, a majority vote, then the chairman of the meeting shall take note of such a case and shall proceed to the exclusion of the bank foundation's votes, up to a number of shares which are equal to the difference between the number of ordinary shares deposited by the aforesaid bank foundation and the overall number of ordinary shares deposited by the other shareholders who are present and have been admitted to the voting, plus one share.

The Bank is not aware of the existence of any agreements which would lead to a change in the ownership of the company, resulting in a different subject being in control of the company.

## CAPITAL ADEQUACY

The Bank of Italy has adopted risk-based capital guidelines pursuant to the EU capital adequacy directives. Italy's current capital ratio requirements are in line with the requirements imposed by the international framework for capital measurement and capital standards of banking institutions of the Basle Committee on Banking Regulations and Supervisory Practices (the "Basle Committee"). The capital adequacy guidelines set out Tier I and Tier II capital requirements relating to a bank's assets and certain off-balance sheet items weighted according to risks ("Risk-Weighted Assets"). See "The Italian Banking System, Supervision and Regulation". Under the Bank of Italy's guidelines, risk-weighted capital ratios are required to be calculated for the Bank on a standalone basis and for the Bank and its consolidated subsidiaries as a group. In addition, certain of the Group's banking subsidiaries are subject to the capital adequacy guidelines on a stand-alone basis. The Group is required to maintain a consolidated total capital ratio (which is the ratio of total capital to total Risk-Weighted Assets) of at least 8%, and each of its banking subsidiaries is required to maintain a total capital ratio on a stand-alone basis of 6%<sup>1</sup> (See "The Italian Banking System, Supervision and Regulation"). As at 31 December 2007, the consolidated total capital ratio of the Group was 12.77%.

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<sup>1</sup> Reduction of 25% of standalone TCR allowed as long as consolidated TCR in not less than 8%.

## MONTE PASCHI IRELAND LIMITED

### Introduction

121 Financial Services Limited (“121FS”) was incorporated under the laws of the Republic of Ireland on 23rd October, 1998 as a private limited company under the Companies Acts 1963 to 2006, with company registration number 295318. On 7th January, 2004, 121FS changed its name to Monte Paschi Ireland Limited (“MPIL”). On 22nd April, 2004 MPIL incorporated the entire business of Mantovana Ireland Limited (“MIL”), another Irish subsidiary previously owned by Banca Monte dei Paschi di Siena (“BMPS”). MPIL is a wholly owned subsidiary of BMPS and part of the BMPS Banking Group.

On 22nd December, 1998 MPIL obtained the relevant authorisation from the Irish Financial Services Regulatory Authority (“IFSRA”, formerly Central Bank of Ireland) under the Irish Investment Intermediaries Act, 1995 (IIA Authorisation), and was subject to the relevant regulatory and supervisory requirements. MPIL also obtained the relevant approval from the Irish Department of Finance to carry out certain financial trading and services activities within the International Financial Services Centre in Dublin.

In November 2006 the Board of Directors of BMPS decided that the mission of MPIL would be changed and that the company should become involved in the Asset and Liability and Capital Management of the Group. Accordingly the Company was reorganised at the beginning of 2007 and as the IIA Authorisation was no longer a prerequisite to carry out its activities the authorisation was revoked by the IFSRA in March 2007 at the request of MPIL.

The registered office of MPIL is at AIB International Centre, International Financial Services Centre, Dublin 1, Ireland, telephone number: +353 16702692.

### Capitalisation

MPIL’s equity capital amounts to Euro 303,270,265, divided into Euro 154,937 as issued and fully paid share capital (300,000 Ordinary Shares of Euro 0.5 each plus Euro 4,937 of Capital Conversion Reserve) and Euro 303,115,328 as Capital Contribution (both subscribed and contributed by BMPS).

MPIL is not aware of the existence of any agreements which would lead to a change in the ownership of the company, resulting in a different subject being in control of the company.

### Business Activities

MPIL is focused on the following main business activities:

- (a) portfolio management, involving the management of a portfolio of securities, including government and corporate bonds and also bonds issued by BMPS Group Banks and Companies;
- (b) lending, involving the provision of selective financing facilities to Banks and Companies within the BMPS Group. It is also foreseen that MPIL could also provide lending facilities to major corporate customers of the BMPS Group; and
- (c) debt issuance, involving the issuance of debt securities for funding purposes.

As business develops, MPIL may consider entering into new areas of business in accordance with market opportunities and conditions.

A major part of MPIL’s business is lending to the BMPS Group Companies. MPIL is accordingly dependent on the parent company and other members of the BMPS Group to service its loans.

### Recent Developments

None.

## **Risk Management/Control**

MPIL risk management/control functions are performed by a dedicated control unit in BMPS in accordance with a Service Level Agreement entered into between MPIL and BMPS. BMPS will be responsible for monitoring the risk profile of MPIL in respect of its activities, ensuring inter alia that the business units into which the activities outlined above will be grouped comply with the investment guidelines, limits and policies established by the Board of Directors from time to time.

MPIL use adequate information systems and procedures enabling them to control in real time the financial risk underlying the activities.

## **Board of Directors**

MPIL is administered by a Board of Directors which comprises the following: Mr. Massimo Molinari, Chairman (Divisional Head, Treasury and Capital Management BMPS), Mr. Marco di Santo (Head of Capital Management, ALM & Group ACPM, BMPS), Mr. Paolo Bosio (Head of Treasury, BMPS), Mr Roberto Mei, (General Manager, MPS Asset Management Ireland Limited), Mr. Raffaele Rizzi (Head Legal Department and Compliance, BMPS Finance), Mr Andrew Bates (Legal Advisers, Dillon Eustace), Mr. Anthony Patrick Cahill and Mr. Duncan Rouse (General Manager).

## **Conflicts of Interest**

There are no potential conflicts of interest between the duties to MPIL of the persons listed above under “Board of Directors” and their private interests or other duties.

## **Employees**

Mr. Duncan Rouse, General Manager and Director

Ms Rossella Milanovic, Chief Operations Officer

Mr. Francescopaolo Nigro, Treasury/Middle Office

Mr Lucio Cosi, Back Office

Mr Marco Pitoni, Internal Audit

MPIL has entered into an outsourcing agreement with AIB International Financial Services Limited who provide MPIL with accounting and company secretarial services.

## TAXATION

*The statements herein regarding taxation are based on the laws in force as at the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.*

### Republic of Italy

#### 1. Tax treatment of Notes issued by an Italian resident issuer

Legislative Decree No. 239 of 1st April, 1996 (“Decree 239”) provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by Italian banks, provided that the notes are issued for an original maturity of not less than 18 months.

##### 1.1 Italian resident Noteholders

Where the Notes have all original maturity of at least 18 months, and an Italian resident Noteholder is (a) 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); (b) a non-commercial partnership; (c) a non-commercial private or public institution; or (d) 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 withholding tax, referred to as “*imposta sostitutiva*”, levied at the rate of 12.5%. In the event that the Noteholders described under (a) and (c) 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, or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected, 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).

Italian real estate funds created under Article 37 of Italian Legislative Decree No. 58 of 24th February, 1998 and Article 14 *bis* of Law No. 86 dated 25th January, 1994, are not subject to any substitute tax at the fund level nor to any other income tax in the hands of the fund (in some specific cases, a net worth tax rate of 1 per cent. would be applicable to the fund). In any case, any income realised by certain subscribers (other than capital gains) is subject a 20 per cent. withholding tax.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund (the “Fund”) or a SICAV, and the Notes are held by an authorised intermediary, interest, premium and other income accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund accrued at the end of each tax period, subject to an ad-hoc substitute tax (the “Collective Investment Fund Tax”) applicable at 12.5 per cent.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5th December, 2005) 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 an 11% substitute tax.



Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Finance (each an “Intermediary”).

An Intermediary must (a) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary and (b) 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.

## 1.2 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 (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy (the “White List States”; or (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (c) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) 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 taxpayer in its own country of residence.

White List States are currently identified by Ministerial Decree of 4th September, 1996. However, once the provisions introduced by the 2008 Budget Law and affecting the regime described above become effective, non-Italian resident beneficial owners of the Notes, without a permanent establishment in Italy to which the Notes are effectively connected will not be subject to the 12.5 per cent substitute tax on Interest provided that the non-Italian beneficial owners are resident in countries included in the forthcoming Ministerial Decree (the “Decree”) that allow an adequate exchange of information with the Italian Tax Authorities. The list of countries included in the above mentioned Decree to be issued will become effective as from the tax period following the one in which the Decree will be enacted. For the 5 years starting on the date of publication of the Decree in the Official Gazette, States and territories that are not included in the current black-lists set forth by Ministerial Decrees of 4th May, 1999, 21st November, 2001 and 23rd January, 2002 nor in the current white list set forth by Ministerial Decree of 4th September, 1996 are deemed to be included in the new white-list.

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 (a) 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 (b) 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 of 12th December, 2001.

## 1.3 Early Redemption

Without prejudice to the above provisions, in the event that Notes issued by an Italian resident issuer are redeemed, in full or in part, prior to 18 months from the Issue Date, the relevant issuer will be required to pay a tax equal to 20% of the interest and other amounts accrued up to the time of the early redemption.

Such payment will be made by the relevant issuer and will not affect the amounts to be received by the Noteholder by way of interest or other amounts, if any, under the Notes.

## **2. Notes with an original maturity of less than 18 months**

Interest payments relating to Notes issued with an original maturity of less than 18 months are subject to a withholding tax, levied at the rate of 27%.

Where the Noteholder is (a) an individual engaged in an entrepreneurial activity to which the Notes are connected, (b) an Italian company or a similar Italian commercial entity, (c) a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected, (d) an Italian commercial partnership, or (e) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases, including when the Noteholder is a non-Italian resident, the withholding tax is a final withholding tax. In case of non-Italian resident Noteholders, the 27% withholding tax rate may be reduced by the applicable double tax treaty, if any.

## **3. Tax treatment of Notes issued by a non-Italian resident issuer**

Decree No. 239 also provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by non Italian resident issuer.

### **3.1 Italian resident Noteholders**

Pursuant to Decree 239, an *imposta sostitutiva* equal to (a) 12.5% in relation to Notes issued for an original maturity of not less than 18 months; and (b) 27%, in relation to Notes issued for an original maturity of less than 18 months, is applied on interest, premium and other income relating to the Notes issued by a non-Italian resident issuer accrued during the relevant holding period, if received by (i) an Italian individual not engaged in an entrepreneurial activity to which the Notes are connected; (ii) an Italian non-commercial partnership; (iii) an Italian non-commercial private or public institution; or (iv) an Italian investor exempt from Italian corporate income taxation. Such withholding is applied by the Intermediary. In case the Noteholders described under (i) and (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 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 annual 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).

If the investor is resident in Italy and is an open-ended or closed-ended investment fund or a SICAV, and the Notes are held by an authorised intermediary, interest, premium and other income accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund accrued at the end of each tax period, subject to an ad-hoc substitute tax applicable at 12.5 per cent.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5th December, 2005) 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 an 11 per cent. substitute tax.

If the Notes are issued for an original maturity of less than 18 months, the 27% *imposta sostitutiva* is also applied to any payment of interest or premium relating to the Notes made to (a) Italian pension funds (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5th December, 2005); (b) Italian open-ended or closed-ended investment funds, and (c) Italian SICAVs.

### **3.2 Non-Italian resident Noteholders**

No Italian *imposta sostitutiva* is applied on payments to a non-Italian resident Noteholder of interest or premium relating to Notes issued by a non-Italian resident issuer provided that the non-Italian resident Noteholder declares itself to be a non-Italian resident according to Italian tax regulations.

### **3.3 Early Redemption**

Without prejudice to the above provisions, in the event that Notes issued by a non-Italian resident issuer and having an original maturity of at least 18 months are redeemed, in full or in part, prior to 18 months from the issue date, Italian resident Noteholders will be required to pay, by way of a withholding to be applied by the Italian intermediary responsible for payment of interest or the redemption of the Notes, an amount equal to 20% of the interest and other amounts accrued up to the time of the early redemption.

## **4. Payments made by an Italian resident guarantor**

With respect to payments on the Notes made to Italian resident Noteholders by an Italian resident guarantor, in accordance with one interpretation of Italian tax law, any payment of liabilities equal to interest and other proceeds from the Notes may be subject to a provisional withholding tax at a rate of 12.5% pursuant to Presidential Decree No. 600 of 29th September, 1973, as subsequently amended. In case of payments to non-Italian resident Noteholders, the withholding tax may be applied at (a) 12.5% if the payment is made to non-Italian resident Noteholders, other than those mentioned under (b); or (b) 27% if payments are made to non-Italian resident Noteholders who are resident in tax haven countries (as defined and listed in Ministerial Decree 23rd January, 2002, as amended from time to time). Double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax. In accordance with another interpretation, any such payment made by the Italian resident guarantor will be treated, in certain circumstances, as a payment by the relevant issuer and will thus be subject to the tax regime described in the previous paragraphs of this section.

## **5. Atypical securities**

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 27%. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value.

In case of Notes issued by an Italian resident issuer, where the Noteholder is (a) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected; (b) an Italian company or a similar Italian commercial entity; (c) a permanent establishment in Italy of a foreign entity; (d) an Italian commercial partnership; or (e) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases, including when the Noteholder is a non-Italian resident, the withholding tax is a final withholding tax.

If the Notes are issued by a non-Italian resident issuer, the 27% withholding tax mentioned above does not apply to interest payments made to a non-Italian resident Noteholder and to an Italian resident Noteholder which is (a) a company or similar commercial entity (including the Italian permanent establishment of foreign entities); (b) a commercial partnership; or (c) a commercial private or public institution.

## **6. 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 not engaged in an entrepreneurial activity to which the Notes are connected 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%. Noteholders may set off losses with gains.

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

Under the tax declaration regime (*regime della dichiarazione*), which is the 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 (a) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (b) 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% 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% substitute tax.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5th December, 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the Collective Investment Fund Tax.

Capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer and traded on regulated markets are not subject to the *imposta sostitutiva*.

Capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary: (a) is resident in a country which allows for a satisfactory exchange of information with Italy; or (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) 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 taxpayer in its own country of residence.

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

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

Capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes issued by a non-Italian resident issuer are not subject to Italian taxation, provided that the Notes are held outside Italy.

## **7. Inheritance and gift taxes**

Pursuant to Law Decree No. 262 of 3rd October, 2006 (*Decreto No. 262*), converted into Law No. 286 of 24th November, 2006, as subsequently amended, the transfers of any valuable asset (including shares, Notes or other securities) as a result of death or donation are taxed as follows:

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

## **8. Transfer tax**

Pursuant to Article 37 of Law Decree No. 248 of 31st December, 2007, converted into law by Law No. 31 of 28th February, 2008, the provisions for stamp tax (*tassa sui contratti di borsa*) under Royal Decree of 30th December, 1923 and Legislative Decree No. 435 of 21st November, 1997 (which potentially applies to transfers of the Notes) were repealed.

Following the repeal of the Italian transfer tax, as from 31st December, 2007, contracts relating to the transfer of securities are subject to the following registration tax: (i) public deeds and notarised deeds are subject to fixed registration tax at a rate of Euro 168; (ii) private deeds are subject to registration tax only in the case of voluntary registration.

## **9. EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income (the “Savings Directive”), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other

Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

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

Italy has implemented the Savings Directive through Legislative Decree No. 84 of 18th April, 2005 (Decree No. 84). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid starting from 1st July, 2005 to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian qualified paying agents shall not apply the withholding tax and shall report to the Italian Tax Authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian Tax Authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

## **Luxembourg Taxation**

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

### **Withholding Tax**

#### **(i) Non-resident holders of Notes**

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

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

#### **(ii) Resident holders of Notes**

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

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

## **Ireland Taxation**

### ***With respect to Notes issued by an Issuer incorporated in Ireland (such as Monte Paschi Ireland Limited):***

The following is a summary based on the laws and practices currently in force in the Republic of Ireland regarding the tax position of investors beneficially owning their Notes and should be treated with appropriate caution. Particular rules may apply to certain classes of taxpayers holding Notes. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.

## **Withholding Tax**

In general, tax at the standard rate of income tax (currently 20 per cent.), is required to be withheld from payments of Irish source interest which may include interest payable on the Notes. However, an exemption from withholding on interest payments exists under Section 64 of the Taxes Consolidation Act, 1997 (the “Taxes Act”) for certain interest bearing securities (“quoted Eurobonds”) issued by a body corporate (such as the Issuer) which are quoted on a recognised stock exchange (the Luxembourg Stock Exchange is such an exchange). The Irish Revenue Commissioners has previously confirmed that Notes issued for principal (Zero Coupon Notes issued at their Principal Amount) which carry no interest but instead pay an amount on redemption (greater than the original principal amount) may qualify as an interest bearing security and consequently may potentially qualify for the quoted Eurobond exemption if all other conditions of the quoted Eurobond exemption are satisfied.

Any interest paid on such quoted Eurobonds can be paid free of withholding tax provided:

- (i) the person by or through whom the payment is made is not in Ireland; or
- (ii) the payment is made by or through a person in Ireland, and either:
  - (a) the quoted Eurobond is held in a clearing system recognised by the Irish Revenue Commissioners (Euroclear, Clearstream Frankfurt, Clearstream, Luxembourg and the Depository Trust Company of New York are so recognised); or
  - (b) the person who is the beneficial owner of the quoted Eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made a declaration to a relevant person (such as an Irish paying agent) in the prescribed form.

So long as the Notes are quoted on a recognised stock exchange and are held in Euroclear and/or Clearstream, Luxembourg, interest on the Notes can be paid by any paying agent acting on behalf of the Issuer without any withholding or deduction for or on account of Irish income tax.

If, for any reason, the quoted Eurobond exemption referred to above does not apply (e.g. where the Notes carry no interest or where the Notes are not quoted on a recognised stock exchange) or the quoted Eurobond exemption ceases to apply, then under section 246 of the Taxes Act, the Issuer can pay interest on the Notes free of withholding tax provided the interest is paid by the Issuer to a Qualifying Noteholder (as defined below).

The Irish Revenue Commissioners has also previously confirmed that Notes issued at a discount will not attract Irish withholding tax in respect of the discount. Therefore, there should be no withholding tax on the discount arising on the Zero Coupon Notes issued at a discount to their Principal Amount

In certain circumstances, Irish tax will be required to be withheld at the standard rate from interest on any quoted Eurobond, where such interest is collected by a bank in Ireland on behalf of any Noteholder who is Irish resident.

“Qualifying Noteholder” means a Noteholder which is beneficially entitled to interest payable to that Noteholder and which is:

- (a) a company (which receives the payment from the Issuer and which is made by the Issuer in the ordinary course of the Issuer’s trade or business) which is a resident of a territory with which Ireland has a double taxation agreement or is resident in a member state of the European Communities (other than Ireland) under the laws of that member state, provided that if such person is a company it does not hold the Notes through or in connection with a branch or agency in Ireland and provided that where the recipient is:
  - (i) a U.S. corporation, the U.S. corporation is incorporated in the U.S. and subject to tax in the U.S. on its worldwide income; or
  - (ii) a U.S. LLC, the ultimate recipients of the interest are resident in and under the laws of a territory with which Ireland has a double taxation agreement or resident in and under the laws of a member state of the European Communities (other than Ireland) and the business conducted through the LLC is so structured for market reasons and not for tax avoidance purposes;
- (b) a qualifying company within the meaning of Section 110 of the Irish Taxes Consolidation Act, 1997 (as amended) (“Taxes Act”) and the interest is paid in Ireland; or
- (c) a person who is treated as a resident of a Treaty State for the purposes of a double taxation agreement and who does not carry on a business in Ireland through a permanent establishment with which the holding of the Notes can be connected and who has completed any required procedural formalities to enable the relevant payment to be made without a tax deduction whereby the Irish Revenue Commissioners have provided clearance to the Issuer to make such payments without deduction of Irish tax. Treaty State means a jurisdiction having a double taxation agreement with Ireland which makes provision for full exemption from tax imposed by Ireland on interest; or
- (d) a body corporate which advances money in the ordinary course of a trade which includes the lending of money and in whose hands any interest payable in respect of monies so advanced is taken into account in computing the trading income of such company and which has made the appropriate notifications under Section 246(5)(a) of the Taxes Act, to the Irish Revenue Commissioners and to the Issuer; or
- (e) a person which is, pursuant to Section 9 of the Central Bank Act, 1971 of Ireland licensed to carry on banking business in Ireland and which is carrying on a bona fide banking business in Ireland for the purposes of Section 246(3)(a) of the Taxes Acts with which the holding of the Notes is connected and the interest is paid in Ireland; or
- (f) an authorised credit institution under the terms of EU Council Directive 2000/12/EC of 20th March, 2000 which has duly established a branch in Ireland or has made all necessary notifications to its home state competent authorities required thereunder in relation to its intention to carry on banking business in Ireland and carries on a bona fide banking business in Ireland for the purposes of Section 246(3)(a) of the Taxes Act, with which the holding of the Notes is connected and the interest is paid in Ireland.



## **Taxation of Noteholders**

Notwithstanding that a Noteholder may receive interest, or a discount on the Notes free of withholding tax, the Noteholder may still be liable to pay Irish income tax and levies. Any interest or discount paid on the Notes may have an Irish source and therefore be within the charge to Irish income tax and levies. Ireland operates a self assessment system in respect of income tax and any person, including a person who is neither resident nor ordinarily resident in Ireland, with Irish source income comes within its scope.

However, any interest or discount on the Notes will be exempt from Irish income tax if the recipient of the interest or discount is resident in a relevant territory provided either (i) the Notes are quoted Eurobonds and are exempt from withholding tax as set out above, (ii) the Notes qualify as wholesale debt instruments within the meaning of Section 246A of the Taxes Act and are exempt from withholding tax, (iii) in the event of the Notes not being or ceasing to be quoted Eurobonds or wholesale debt instruments exempt from withholding tax, where the interest is paid by a company (such as the Issuer) in the ordinary course of its trade or business to a company that is resident in a relevant territory or (iv) the Notes are issued in the ordinary course of a trade or business carried on by the Issuer at a discount to Principal Amount, (for the above purposes of this paragraph, residence is determined under the terms of the relevant double taxation agreement, or in the case of a person not resident in a country with which Ireland has a double taxation agreement but is tax resident in an EU Member State, the law of the Member State). A “relevant territory” means a Member State of the European Communities (other than Ireland) or not being such, a country with the government of which arrangements have been made having the force of law by virtue of Section 826(1) of the Taxes Act (i.e. a country with which Ireland has a double taxation agreement) or a country with the government of which on completion of the procedures set out in Section 826 of the Taxes Act, will have the force of law.

Notwithstanding these exemptions from income tax, a corporate recipient that carries on a trade in Ireland through a branch or agency in respect of which the Notes are held or attributed, may have a liability to Irish corporation tax on any interest or discount.

If, however, the exemption under Section 198 does not apply and the double tax treaty does not exempt the interest earned or there is no double tax treaty between Ireland and the jurisdiction of the holder of the Notes, there is a long standing practice (as a consequence of the absence of a collection mechanism rather than adopted policy) whereby the Revenue Commissioners do not take any action to pursue any liability to such tax in respect of persons who are not regarded as being resident in Ireland except where such persons:

- are chargeable in the name of a person (including a trustee) or in the name of an agent or branch in Ireland having the management or control of the interest; or
- seek to claim relief and/or repayment of tax deducted at source in respect of taxed income from Irish sources; or
- are chargeable to Irish corporation tax on the income of an Irish branch or agency or to income tax on the profits of a trade carried on in Ireland to which the interest is attributable.

There can be no assurance that the Irish Revenue Commissioners will apply this practice in the case of the Noteholders.

## **Capital Gains Tax**

A holder of Notes will be subject to Irish tax on capital gains on a disposal of Notes unless such holder is neither resident nor ordinarily resident in Ireland and does not carry on a trade in Ireland through a branch or agency in respect of which the Notes are used or held.

## **Stamp Duty**

Irish stamp duty will not be imposed on the issue and/or the transfer of the Notes once the Notes satisfy the “loan capital” exemption. Loan capital is defined as any debenture stock, bonds or funded debt,

by whatever name known, or any capital raised which is borrowed or has the character of borrowed money, whether in the form of stock or in any other form. The Notes should qualify as loan capital. Under this exemption Irish stamp duty does not apply in respect of the issue and/or transfer of “loan capital” provided certain conditions are met:

*On the Issue:* The issue of the Notes will be exempt from stamp duty provided the Notes are not a charge or incumbrance on property situated in Ireland:

*On the Transfer:* The transfer of the Notes will be exempt from stamp duty provided all of the following conditions are met:

- the Notes are not convertible into Irish registered shares or into loan capital having such right of conversion;
- the Notes do not carry rights of the same kind as shares in the capital of a company (such as voting rights a share in the profits or a share in the surplus upon liquidation);
- the Notes are issued for a price which is not less than 90% of their nominal value; and
- the Notes do not carry a right to a sum in respect of repayment of interest which is related to certain movements in an index or indices (based wholly or partially and directly or indirectly on stocks or marketable securities) specified in any instrument or other document relating to the Notes.

Alternatively, with regard to the transfer of the Notes, where title to the Notes passes by the delivery of a bearer instrument, no duty should be payable once the transfer occurs outside Ireland, the Notes do not end up located in Ireland and the Notes are not secured over Irish property.

### **Capital Acquisitions Tax**

A gift or inheritance comprising of Notes will be within the charge to capital acquisitions tax if either (i) the disponent or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the disponent is domiciled in Ireland irrespective of his residence or that of the donee/successor) or (ii) if the Notes are regarded as property situate in Ireland.

If the Notes are comprised in a gift or inheritance taken from an Irish resident or ordinarily resident disponent or taken by an Irish resident or ordinarily resident beneficiary, or if any of the Notes are regarded as property situate in Ireland, the beneficiary of such Notes may be liable to capital acquisitions tax. It is possible that Notes issued by the Note Issuer may be regarded as property situate in Ireland. Accordingly, if such Notes are comprised in a gift or inheritance, the beneficiary of such Notes may be liable to capital acquisitions tax, even though the disponent or beneficiary may not be resident or ordinarily resident in Ireland. A person who is not domiciled in Ireland for the purposes of Irish tax may be deemed to be Irish resident or Irish ordinary resident for capital acquisitions tax in certain circumstances. The standard rate of capital acquisition tax is currently 22 per cent.

With regard to Irish tax residency for capital acquisitions tax purposes, special rules apply for non-Irish domiciled persons. A non-Irish domiciled donee or disponent will not be deemed to be resident or ordinarily resident in Ireland at the relevant date unless:

- that person has been resident in Ireland for the 5 consecutive years of assessment immediately preceding the year of assessment in which that date falls; and
- that person is either resident or ordinarily resident in Ireland on that date.

### **EU Savings Directive**

The Council of the European Union has adopted a directive regarding the taxation of interest income known as the “European Union Directive on the Taxation of Savings Income (Directive 2003/48/EC)”.

Ireland has implemented the directive into national law. Any Irish paying agent making an interest payment on behalf of the Issuer to an individual, and certain residual entities defined in the Taxes Act, resident in another EU Member State and certain associated and dependent territories of a Member State will have to provide details of the payment to the Irish Revenue Commissioners who in turn will provide such information to the competent authorities of the state or territory of residence of the individual or residual entity concerned.

## SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement dated 29th January 2009 (the “Programme Agreement”), agreed with the Issuers and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “Form of the Notes” and “Terms and Conditions of the Notes”. In the Programme Agreement, the Issuers (failing which the Guarantor) have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### United States

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

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

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

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

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

### Public Offer Selling Restriction under the Prospectus Directive

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

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

- (b) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer and the Guarantor (where the relevant Issuer is other than BMPS) for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes referred to in (a) to (d) above shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

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

### **United Kingdom**

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

- (i) in relation to any Notes issued by MPIL 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 whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses, where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by MPIL;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not, or in the case of BMPS, would not, if it was not an authorised person, apply to the relevant Issuer; and
- (iii) 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.

### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended, the “FIEL”) and each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except

pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

## **Republic of Italy**

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that no Notes may be offered, sold or delivered, nor may copies of the Base Prospectus or of any other offering material relating to the Notes be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined in Article 100 of Legislative Decree No. 58 of 24th February, 1998, as amended (the “Financial Services Act”) and the relevant implementing CONSOB regulations, as amended from time to time, and in Article 2 of Directive No. 2003/71/EC of 4th November, 2003; or
- (ii) in other circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of the Financial Services Act and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14th May, 1999, as amended.

Any offer, sale or delivery of the Notes or distribution of copies of the Base Prospectus or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29th October, 2007 (as amended from time to time) and Legislative Decree No. 385 of 1st September, 1993, as amended (the “Banking Act”); and
- (b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

## **Ireland**

Each Dealer has warranted and agreed that, to the extent applicable:

- (a) it has not and will not underwrite the issue of, or place, offer or sell or otherwise act in Ireland in respect of any Notes other than in compliance with the EU Directive 2003/6/EC on insider dealing and market manipulation, Irish market abuse law (as defined in the Investment Funds Companies and Miscellaneous Provisions Act, 2005), the Market Abuse (Directive 2003/6/EC) Regulations 2005 (S.I. No. 342 of 2005) and any rules issued under section 34 of the Investment Funds, Companies and Miscellaneous Provisions Act, 2005;
- (b) it has not underwritten and will not underwrite the issue of or place the Notes or take any other action in connection with the Notes otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (S.I. No. 60 of 2007) (as amended) including, without limitation, Parts 6, 7 and 12 thereof and the provisions of the Irish Investor Compensation Act, 1998, including, without limitation, Section 21;
- (c) where an Irish Issuer wishes to issue Notes with a maturity of less than one year it shall ensure that it is in full compliance with notice BSD C01/02 issued by the Irish Financial Services Regulatory Authority; and
- (d) it has not underwritten and will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Irish Central Bank Acts 1942-2004 (as amended) and any codes of conduct made under Section 117(1) thereof.

## **General**

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither of the Issuers nor any of the other Dealers shall have any responsibility therefor.

None of the Issuers and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuers and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

## GENERAL INFORMATION

### Authorisation

The establishment of the Programme and the issue of Notes were duly authorised by a resolution of the Board of Directors of BMPS dated 18th November, 1999, the 2001 update and increase of the Programme were duly authorised by a resolution of the Board of Directors dated 18th January, 2001, the 2002 update of the Programme was duly authorised by a proposal of the Finance Department of the Bank dated 9th January, 2002 as accepted by the Managing Director on 22nd January, 2002, the 2003 update and increase of the Programme were duly authorised by a resolution of the Board of Directors dated 10th April, 2003, the 2004 update of the Programme was duly authorised by a proposal of the Finance Department of the Bank dated 30th April, 2004 as accepted by the Managing Director on 12th May, 2004, the 2005 update and increase of the Programme were duly authorised by a proposal of the Finance Department of the Bank dated 12th April, 2005 as accepted by the Board of Directors on 14th April, 2005, the 2006 update of the Programme was duly authorised by a proposal submitted by the Treasury and Capital Management Department - Capital Management, ALM and ACPM of the Group Office, dated 9th November, 2006 as accepted by the Board of Directors on 23rd November, 2006 and the 2007 update of the Programme was duly authorised by a resolution of the Board of Directors of MPIL dated 12th December, 2007 and by a resolution of the Board of Directors of BMPS dated 5 December 2007. The giving of the Guarantee has been duly authorised by a resolution of the Board of Directors of the Guarantor dated 7th June, 2007 and 5th December, 2007.

The current update has been duly authorised by a resolution of the Board of Directors of MPIL dated 23rd January, 2009 and by a resolution of the Board of Directors of BMPS dated 11th December, 2008.

### Listing and Admission to Trading of Notes

Application for approval has been made to the CSSF to approve this document as a base prospectus and application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Regulated Market on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

### Documents Available

For the period of 12 months following the date of publication of this Base Prospectus, copies of the following documents will, when published, be available free of charge from the registered office of the Issuers and from the specified office of the Paying Agent for the time being in Luxembourg:

- (i) the constitutional documents (with an English translation thereof) of BMPS and the constitutional documents of MPIL;
- (ii) the consolidated and non-consolidated audited financial statements of BMPS in respect of the financial years ended 31st December, 2006 and 31st December, 2007 (with an English translation thereof) and the audited financial statements of MPIL in respect of the financial years ended 31st December, 2006 and 31st December, 2007 in each case together with the audit reports prepared in connection therewith. BMPS currently prepares audited consolidated and non-consolidated accounts on an annual basis and MPIL currently prepares audited financial statements on an annual basis;
- (iii) the most recently published annual report of BMPS and the most recently published consolidated and non-consolidated annual (audited) and semi-annual and quarterly (unaudited) (if any) financial statements of BMPS (with an English translation thereof) in each case together with any audit or review reports prepared in connection therewith. BMPS currently prepares unaudited consolidated and non-consolidated interim accounts on a semi-annual basis and unaudited consolidated interim accounts on a quarterly basis;



- (iv) the Programme Agreement, the Agency Agreement, the Guarantee, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (v) a copy of this Base Prospectus;
- (vi) any future base prospectuses, prospectuses, information memoranda and supplements including Final Terms (save that a Final Terms relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference; and
- (vii) in the case of each issue of Notes admitted to trading on the Regulated Market of the Luxembourg Stock Exchange subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

In addition, copies of this Base Prospectus, each Final Terms relating to Notes which are admitted to trading on the Luxembourg Stock Exchange's regulated market and each document incorporated by reference are available on the Luxembourg Stock Exchange's website ([www.bourse.lu](http://www.bourse.lu)).

### **Clearing Systems**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

### **Condition for determining price**

The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

### **Significant or Material Change**

Save as disclosed in the Base Prospectus, there has been no significant change in the financial or trading position of BMPS or the Group since 30th September, 2008 or of MPIL since 31st December, 2007 and there has been no material adverse change in the financial or trading position or prospects of BMPS, MPIL or the Group since 31st December, 2007.

### **Litigation**

Neither BMPS or MPIL nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which BMPS or MPIL are aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of BMPS or MPIL or the Group.

### **Auditors**

The auditors of BMPS are KPMG S.p.A., independent accountants and a member of *Assirevi Associazione Italiana Revisori Contabili*, the Italian Auditors Association, who have audited the Issuer's

accounts, without qualification, in accordance with IFRS for the two financial years ended on 31st December, 2006 and on 31st December, 2007.

The auditors of MPIL are KPMG, Ireland, independent accountants and a member of the chartered accountants qualified to practice in Ireland, who have audited MPIL's accounts, without qualification, in accordance with International Standards on Auditing (UK and Ireland) for the financial years ended on 31st December, 2006 and on 31st December, 2007.

**Post-issuance Information**

Save as set out in the Final Terms, the Issuers do not intend to provide any post-issuance information in relation to any assets underlying issues of Notes constituting derivative securities.

## THE ISSUER

**Banca Monte dei Paschi di Siena S.p.A.**

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53100 Siena  
Italy

**Monte Paschi Ireland Limited**

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## GUARANTOR

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## ISSUING AND PRINCIPAL PAYING AGENT

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## PAYING AGENT

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**UBS Limited**  
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## LUXEMBOURG LISTING AGENT

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