

## OFFERING MEMORANDUM



**220,000 Trust Preferred Securities**  
**Antonveneta Capital Trust II**  
**Noncumulative Floating Rate Guaranteed**  
**Trust Preferred Securities**  
**(Liquidation Preference €1,000 per Trust Preferred Security)**  
**guaranteed to the extent described herein by**  
**Banca Antoniana Popolare Veneta S.C.p.a. a r.l.**

The Noncumulative Floating Rate Guaranteed Trust Preferred Securities (the "Trust Preferred Securities") of Antonveneta Capital Trust II (the "Trust") offered hereby represent corresponding amounts of Noncumulative Floating Rate Guaranteed Class B Preferred Securities (the "LLC Class B Preferred Securities") issued by Antonveneta Capital L.L.C. II (the "LLC"). Dividends and redemption and liquidation payments paid by the LLC on the LLC Class B Preferred Securities will pass through the Trust to you as distributions and redemption and liquidation payments on the Trust Preferred Securities. **The LLC Class B Preferred Securities will be perpetual**, will be denominated in euro and will bear cash distributions on their liquidation preference payable quarterly in arrears, at (1) a floating rate of 3.10 per cent. per annum above the Euro Inter-bank Offered Rate for three-month euro deposits ("EURIBOR") to but excluding September 27, 2011 (the "Dividend Reset Date") and (2) thereafter at a floating rate of 4.65 per cent. per annum above EURIBOR. Banca Antoniana Popolare Veneta S.C.p.a. a r.l. ("BAPV" or the "Bank"), a bank incorporated with limited liability in Italy, will guarantee the Trust Preferred Securities and the LLC Class B Preferred Securities on a subordinated basis (the "Subordinated Guarantees") to the extent described in this Offering Memorandum. The New York branch of the Bank (the "Branch") will initially own all the common securities of the Trust and the LLC.

**Investing in the Trust Preferred Securities involves risks. Please review the section entitled "Investment Considerations" beginning on page 30 of this Offering Memorandum.**

Application has been made to list the Trust Preferred Securities on the Luxembourg Stock Exchange.

This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy the Trust Preferred Securities in any jurisdiction in which such offer or solicitation is unlawful. This document may not be issued or passed on in the United Kingdom to any person unless that person is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996, as amended, or is a person to whom the document may otherwise lawfully be issued or passed on. Offers, sales and deliveries of the Trust Preferred Securities are subject to certain restrictions in relation to the United States and the United Kingdom. See "Plan of Distribution".

The Trust and the LLC have not been registered under the U.S. Investment Company Act of 1940, as amended (the "1940 Act"), and these securities have not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and are being offered and sold only outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act. These securities are not transferable except in accordance with the restrictions described under "Notice to Investors".

	Per Trust Preferred Security (%)	Per Trust Preferred Security (€)	Total
Price to investors(1) .....	100.00	1,000.00	€220,000,000
Proceeds, after expenses, to the Trust .....	99.00	990.00	€217,800,000

(1) Plus accrued dividends from June 27, 2001, if settlement occurs after that date.

The Bank will pay the Initial Purchasers a commission of €10.00 per Trust Preferred Security, or €2,200,000 in total.

The Trust Preferred Securities are offered by ABN AMRO Bank N.V. and Merrill Lynch International, as the Initial Purchasers (the "Initial Purchasers"), as specified herein, subject to prior sale, when, as and if issued to and accepted by the Initial Purchasers, and subject to certain conditions. It is expected that delivery of the Trust Preferred Securities will be through the facilities of Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg") on or about June 27, 2001 against payment therefor in immediately available funds.

**ABN AMRO**

**MERRILL LYNCH INTERNATIONAL**

The date of this Offering Memorandum is June 27, 2001.

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BAPV, the Trust and the LLC, having made all reasonable inquiries, confirm that this Offering Memorandum contains all information with regard to BAPV, the Trust, the LLC and the securities offered hereby that is material in the context of the issue and offering of the Trust Preferred Securities, that the information contained in this Offering Memorandum is true and accurate and is not misleading, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which would make this Offering Memorandum or any of such information or the expression of any such opinions or intentions materially misleading. Each of BAPV, the Trust and the LLC accepts responsibility accordingly.

The information contained in this Offering Memorandum relating to BAPV, the Trust and the LLC was obtained from BAPV and other sources, but no assurance can be given by the Initial Purchasers as to the accuracy or completeness of such information. The Initial Purchasers assume no responsibility for the accuracy or completeness of the information contained herein (financial, legal or otherwise). In making an investment decision, investors must rely on their own examinations of BAPV, the Trust and the LLC and the terms of this offering, including the merits and risks involved. Moreover, the contents of this Offering Memorandum are not to be construed as legal, business or tax advice. Each prospective investor is urged to consult its own attorney, business or tax advisor for legal, business or tax advice.

Each prospective investor is hereby offered the opportunity to ask questions of and receive answers from BAPV concerning its business, the Trust and the LLC, the securities and the terms and conditions of this offering. All inquiries relating to BAPV, the Trust and the LLC, this Offering Memorandum and this offering should be directed to BAPV, the Trust and the LLC and the Initial Purchasers.

No dealer, salesperson or other individual has been authorized to give any information or to make any representations other than those contained in this Offering Memorandum and, if given or made, such information or representations must not be relied upon as having been authorized. Neither the delivery of this Offering Memorandum nor any sale hereunder shall create, under any circumstances, any implication that there has been no change in the affairs of BAPV, the Trust or the LLC since the date hereof or that the information contained herein is correct as of any time after its date.

#### **NOTICE TO INVESTORS**

This Offering Memorandum has been prepared by the Bank, the Trust and the LLC for use by the Initial Purchasers in making offers and sales of the Trust Preferred Securities outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act.

Each purchaser of Trust Preferred Securities offered hereby will be deemed to have represented and agreed that such purchaser understands that the Trust Preferred Securities have not been registered under the Securities Act and may not be offered, sold or delivered in the United States or to, or for the account or benefit of, any U.S. person, unless the Trust Preferred Securities and the LLC Class B Preferred Securities are registered under the Securities Act or an exemption from the registration requirements thereof is available and the Trust Preferred Securities will bear a legend to that effect, unless the Bank, the Trust and the LLC determine otherwise in compliance with applicable law (terms used above that are defined in Regulation S are used above as therein defined).

THE TRUST PREFERRED SECURITIES WILL INITIALLY BE REPRESENTED BY A TEMPORARY GLOBAL CERTIFICATE. NO PAYMENTS WITH RESPECT TO A HOLDER'S BENEFICIAL INTEREST IN SUCH GLOBAL CERTIFICATE WILL BE MADE TO SUCH HOLDER WITHOUT A CERTIFICATION BY OR ON BEHALF OF SUCH HOLDER THAT IT IS NOT A U.S. PERSON. UNLESS ON OR AFTER THE 40TH DAY FOLLOWING THE ISSUE DATE FOR THE SALE OF THE TRUST PREFERRED SECURITIES A CERTIFICATE BY OR ON BEHALF OF A HOLDER OF A BENEFICIAL INTEREST IN SUCH TEMPORARY GLOBAL CERTIFICATE IS PROVIDED TO THE REGISTRAR FOR THE TRUST PREFERRED SECURITIES CERTIFYING THAT SUCH BENEFICIAL HOLDER IS A NON-U.S. PERSON, SETTLEMENT OF TRADES

OF SUCH BENEFICIAL INTEREST SHALL BE SUSPENDED UNTIL SUCH TIME AS SUCH CERTIFICATE IS PROVIDED.

Any employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), considering purchasing Trust Preferred Securities in a secondary market transaction should consult with its counsel regarding whether such purchase would constitute a "prohibited transaction" under ERISA.

This Offering Memorandum does not constitute an offer of, or an invitation by or on behalf of, BAPV, the Trust, the LLC, the Initial Purchasers or any of their respective directors, officers and affiliates to subscribe for or purchase any securities in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction. Each purchaser of the securities offered hereby must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells the securities or possesses or distributes this Offering Memorandum and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales. The distribution of this Offering Memorandum and the offering of the securities in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum comes are required by BAPV, the Trust, the LLC and the Initial Purchasers and their respective directors, officers and affiliates to inform themselves about and to observe any such restrictions. Neither BAPV nor the Trust, the LLC, the Initial Purchasers or any of their respective directors, officers or affiliates has any responsibility therefor. There is no undertaking to register the securities under any state or federal securities laws of the United States. The securities must not be resold in the United States unless they are subsequently registered or an exemption from registration is available.

For a further description of certain restrictions on the offering, sale and resale of the securities offered hereby see "Description of the Trust Securities—Form, Denomination and Transfer" and "Plan of Distribution".

**The Trust Preferred Securities are not deposits or other obligations of the Bank or the Branch and are not insured by the U.S. Federal Deposit Insurance Corporation or any other governmental agency.**

#### **EXCHANGE RATE INFORMATION AND CURRENCY TRANSLATION**

This Offering Memorandum contains translations of certain Italian lira amounts into euro at the rate of LIT 1,936.27= €1.00. This translation is based on the exchange rate at which the Italian lira was fixed against the euro at the commencement of the third stage of the European Economic and Monetary Union on December 31, 1998 pursuant to the treaty establishing the European Communities (signed in Rome on March 25, 1957), as amended by the Treaty on European Union (signed in Maastricht on February 7, 1992).

BAPV publishes its consolidated financial statements in Italian lire. In this Offering Memorandum, unless otherwise specified herein or the context otherwise requires, references to "€", "EUR" and "euro" are to the euro and references to "LIT" are to Italian lire.

#### **FINANCIAL STATEMENTS INCORPORATED BY REFERENCE**

The following financial statements shall be deemed to be incorporated in, and to form part of, this Offering Memorandum:

- (i) the audited consolidated financial statements of the Bank as of and for the years ended December 31, 1998, 1999 and 2000 and the notes thereto (the "Bank's Audited Consolidated Financial Statements"); and

- (ii) the audited non-consolidated financial statements of the Bank as of and for the years ended December 31, 1998, 1999 and 2000 and the notes thereto (the "Bank's Audited Non-Consolidated Financial Statements").

Documents incorporated by reference in this Offering Memorandum are available free of charge at the specified office of the paying agent in Luxembourg (so long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange) and at the registered office of the Bank for so long as any of the Trust Preferred Securities remain outstanding. See also "Presentation of Financial Information".

### FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements. Examples of such forward-looking statements include, but are not limited to: (i) statements regarding BAPV's future results of operations and financial condition; (ii) statements of plans, objectives or goals, including those related to BAPV's operations; and (iii) statements of assumptions underlying such statements. Words such as "believes", "anticipates", "should", "estimates", "forecasts", "expects", "may", "intends" and "plans" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. BAPV cautions investors that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed or implied in such forward-looking statements, including the following factors: (i) changes in general economic and political conditions; (ii) the performance of financial markets; (iii) changes in interest rate levels, currency exchange rates and other market levels or indices; (iv) changes in laws and regulations; (v) changes in the policies of central banks and/or foreign governments; (vi) integration of recently completed acquisitions; (vii) future acquisition strategy; (viii) potential litigation; and (ix) competitive factors, in each case on a global, regional and/or national basis.

### PRESENTATION OF FINANCIAL INFORMATION

This Offering Memorandum contains financial data in relation to the Bank derived from the following sources:

- (i) the Bank's Audited Consolidated Financial Statements; and
- (ii) the Bank's Audited Non-Consolidated Financial Statements.

The foregoing financial statements of the Bank, together with any audit reports of Grant Thornton thereon, are incorporated by reference into this Offering Memorandum. The financial information in this Offering Memorandum is derived from these financial statements, although certain line items have been reclassified in order to present them in a format that more closely follows international practice. Such line items may not therefore be readily reconcilable with the financial statements listed above.

The Bank's Audited Consolidated Financial Statements and the Bank's Audited Non-Consolidated Financial Statements have been audited by Grant Thornton S.p.A ("Grant Thornton"), independent auditors of the Bank, in each case, as indicated in their reports thereon.

All of the audited financial statements referred to above have been prepared in accordance with accounting principles prescribed by Italian law, and supplemented by the accounting principles issued by the *Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri* (collectively, "Italian GAAP"). Certain accounting principles applied by the Bank that conform with Italian GAAP may not conform with accepted accounting principles in other countries. In addition, all of the financial statements referred to above were originally prepared in the Italian language.

In this document, where information is presented in millions or billions of lira or thousands, millions or billions of euros, amounts of less than one thousand, one million or one billion, as the case may be, have been omitted. Accordingly, the totals and/or subtotals of each column of figures may not be equal to the totals and/or subtotals of the individual items as shown, due to roundings.

## OFFERING MEMORANDUM SUMMARY

### The Group

Banca Antoniana Popolare Veneta S.C.p.a. a r.l. (the "Bank" or "BAPV") is a bank organized as a limited liability company (*Società Cooperativa per azioni a responsabilità limitata* or *S.C.p.a. a r.l.*) under the laws of Italy and is based in Padua. The Bank, including its branches, together with all its consolidated subsidiaries, are collectively referred to as the "BAPV Group" or the "Group". The Group is a leading banking group in north-east Italy, with substantial operations in most Italian regions. BAPV is engaged in a range of banking, financial and related activities, including commercial banking, e-commerce, investment banking, securities dealing and brokerage activities, asset management and insurance.

The Group's principal executive offices are located at Piazzetta Turati 2, 35131 Padua, Italy, and its telephone number is 39 049 839 111.

### The Branch

The New York branch of the Bank (the "Branch") is licensed by the Superintendent of Banks of the State of New York to conduct a commercial banking business and engages primarily in corporate banking activities. The deposits of the Branch are not insured by the U.S. Federal Deposit Insurance Corporation. The Branch is subject to regulation, supervision and examination by the New York State Banking Department. The Branch is also subject to regulation, supervision and examination by the Board of Governors of the Federal Reserve System (the "Federal Reserve"). The Branch is located at 17 State Street, New York, New York 10004-1501, and its telephone number is (212) 412-9600.

### Capital Treatment

Pursuant to the Bank of Italy authorization, the LLC Class B Preferred Securities will be treated as Tier 1 capital on a consolidated and non-consolidated basis under relevant Italian regulatory capital guidelines.

## This Offering

*For a more complete description of the terms of the Trust Preferred Securities, the LLC Class B Preferred Securities, the Subordinated Guarantees and the Subordinated Notes referred to in the following summary, see "Description of the Trust Securities", "Description of the LLC Securities", "Description of the Subordinated Guarantees", "Description of the Initial Subordinated Notes" and the documents described therein. Capitalized terms used and not otherwise defined below have the respective meanings given to those terms under those headings.*

<b>The Trust</b> .....	Antonveneta Capital Trust II, a Delaware statutory business trust, is a direct wholly-owned subsidiary of the Bank, acting through the Branch. The Trust will issue its common securities (the "Trust Common Securities") and the Trust Preferred Securities (together with the Trust Common Securities, the "Trust Securities"). The sole assets of the Trust will be the LLC Class B Preferred Securities.
<b>The LLC</b> .....	Antonveneta Capital L.L.C. II, a Delaware limited liability company, is a direct wholly-owned subsidiary of the Bank, acting through the Branch. The LLC will issue its common securities (the "LLC Common Securities"), its Class A Preferred Securities (the "LLC Class A Preferred Securities") and the LLC Class B Preferred Securities (together with the LLC Common Securities and the LLC Class A Preferred Securities, the "LLC Securities"). The sole assets of the LLC will be the Subordinated Notes (as defined below).
<b>Offered Securities</b> .....	220,000 Trust Preferred Securities issued by the Trust having a liquidation preference of €1,000 per Trust Preferred Security and an aggregate liquidation preference of €220,000,000. The Trust Preferred Securities represent undivided beneficial ownership interests in the assets of the Trust, including a corresponding number of LLC Class B Preferred Securities and related rights under the Subordinated Guarantees.
<b>Issue Date</b> .....	On or about June 27, 2001
<b>Distributions</b> .....	<i>General.</i> The Trust will pass through the dividends ("Dividends") it receives on the LLC Class B Preferred Securities as distributions on the Trust Securities. Accordingly, periodic cash distributions on the Trust Preferred Securities with respect to each Dividend Period (as defined below) will be payable only if Dividends on the LLC Class B Preferred Securities have been declared or deemed declared or paid for the corresponding Dividend Period. Amounts paid to holders of the Trust Preferred Securities in respect of Dividends and other



distributions will be limited to payments received by the Trust from the LLC with respect to the LLC Class B Preferred Securities or from the Bank under the Class B Preferred Securities Guarantee Agreement, to be entered into on or prior to the Issue Date, between the Bank, as guarantor, and the Property Trustee (as defined below), on behalf of the Trust, as the initial holder of the LLC Class B Preferred Securities (the "Class B Guarantee"), and under the Trust Securities Guarantee Agreement, to be entered into on or prior to the Issue Date, between the Bank, as guarantor, and the Property Trustee, on behalf of the holders of the Trust Securities (the "Trust Guarantee" and, together with the Class B Guarantee, the "Subordinated Guarantees").

Dividends on the LLC Class B Preferred Securities will be payable quarterly in arrears, on their liquidation preference, on September 27, December 27, March 27 and June 27 of each year, commencing September 27, 2001, on a noncumulative basis by the LLC when, as and if declared (or deemed declared) by the LLC's Board of Directors (the "Board") at (1) a floating rate (the "Initial Floating Dividend Rate") of 3.10 per cent. per annum above the Euro Inter-bank Offered Rate for three-month euro deposits ("EURIBOR") from and including the date of original issuance of the LLC Class B Preferred Securities (the "Issue Date") to but excluding September 27, 2011 and (2) thereafter at a floating rate (the "Final Floating Dividend Rate" and, together with the Initial Floating Dividend Rate, the "Dividend Rate") of 4.65 per cent. per annum above EURIBOR.

"Dividend Payment Date" refers to each date on which dividends are payable in accordance with the preceding paragraph. If a Dividend Payment Date or a Redemption Date falls on a day that is not a TARGET Settlement Day, such Dividend Payment Date or Redemption Date shall be postponed to the next succeeding day which is a TARGET Settlement Day, unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding day that is a TARGET Settlement Day.

Dividends payable on each Dividend Payment Date will be the amount accrued as provided below from and including the immediately preceding Dividend Payment Date (or from and including June 27, 2001 with respect to the Dividend payable on September 27, 2001) to but excluding the relevant Dividend Payment Date or Redemption Date (as defined below), as the case may be (each such period, a "Dividend Period"). Dividends

payable on each Dividend Payment Date will be calculated on the liquidation preference of the LLC Class B Preferred Securities on the basis of a 360-day year and the actual number of days in the related Dividend Period.

Each Dividend Payment Date will also be a EURIBOR Reset Date. EURIBOR, for each EURIBOR Reset Date and the Dividend Period that begins on such EURIBOR Reset Date, shall be EURIBOR as determined on the EURIBOR Determination Date immediately preceding such EURIBOR Reset Date.

Dividends will not be cumulative and Dividends which are not declared (or deemed declared) for payment will not accumulate or compound from Dividend Period to Dividend Period. This means that, if Dividends are not declared (or deemed declared) in full or in part on any Dividend Payment Date, holders of the LLC Class B Preferred Securities (and, consequently, holders of the Trust Securities) will not, and will have no right to, receive those Dividends or the unpaid portion of those Dividends at any time, even if Dividends or other distributions are declared (or deemed declared) or paid in respect of any future Dividend Period.

*Limits on Payment of Dividends.* Except when it is required to pay Required Dividends as described below, the LLC may not pay Dividends (and accordingly distributions of Dividends will not be made on the Trust Preferred Securities) when

- (1) the Bank does not have, according to the unconsolidated annual financial statements of the Bank relating to the financial year immediately preceding the financial year in which such Dividend Payment Date falls or, where such financial statements are not available, the last set of unconsolidated financial statements approved by the Bank, net profits ("Distributable Profits") that would be available for the payment of a dividend or the making of a distribution on any class of its share capital, and/or the Bank has not declared or paid dividends on any class or series of its share capital for the financial year in which such Dividend Payment Date falls;
- (2) the Bank is otherwise prohibited under applicable Italian banking laws or regulations from declaring a dividend or making a distribution on any class of its share capital; or

- (3) a Shift Event (as defined below) has occurred and is continuing or would result from the payment of such Dividends.

*Required Dividends.* Notwithstanding the limits in clauses (1) through (3) above, the LLC will be required to declare and pay Dividends in full on any Dividend Payment Date ("Full Required Dividends") if:

- (a) the Bank or any Subsidiary (as defined below), as the case may be, has redeemed, repurchased or otherwise acquired a Parity Security (as defined below) or Junior Security (as defined below) for any consideration, or any monies are paid to or made available for a sinking fund or for redemption of any such securities (other than certain exceptions as more fully described under "Description of the LLC Securities—LLC Class B Preferred Securities—Dividends") during the twelve-month period immediately preceding and including such Dividend Payment Date;
- (b) the Bank has declared or paid a dividend or distribution or made any other payment with respect to a Junior Security, if any, that pays dividends or other distributions annually during the twelve-month period immediately preceding and including such Dividend Payment Date;
- (c) the Bank has declared or paid a dividend or distribution or made any other payment with respect to a Junior Security that pays dividends or other distributions semi-annually, if any, during the six-month period immediately preceding and including such Dividend Payment Date; or
- (d) the Bank has declared or paid a dividend or distribution or made any other payment with respect to a Junior Security that pays dividends or other distributions on a basis other than annually or semi-annually during the three-month period immediately preceding and including such Dividend Payment Date.

Additionally, and notwithstanding the limitations in clauses (1) through (3) above, if (x) the Bank or any of its subsidiaries declares or pays any dividends or makes any other payment or distribution in respect of any Parity Securities on any date, and (y) during the Relevant Period (as defined below) ending on and including that date there occurred a Dividend Payment Date as to which the LLC paid no dividends or less than full

dividends on the LLC Class B Preferred Securities, then on that date the LLC will be required to pay a special Dividend on the LLC Class B Preferred Securities (each, a "Special Dividend" and, together with the "Full Required Dividends", the "Required Dividends"). The Special Dividend will be payable on that date (a "Special Dividend Date") whether or not that date is otherwise a Dividend Payment Date and, if it is a Dividend Payment Date, will be in addition to any other Dividends required to be paid on that Dividend Payment Date. The Special Dividend will be in an amount that, when taken together with Dividends previously paid during the Relevant Period, represents the same proportion of full Dividends for all Dividend Payment Dates during the Relevant Period that the dividend on Parity Securities paid during that Relevant Period bears to full dividends on such Parity Securities for that Relevant Period. For more information, see "Description of the LLC Securities — LLC Class B Preferred Securities — Dividends".

If for any reason any Required Dividends are not declared on any Dividend Payment Date or Special Dividend Date then, under the terms of the LLC's Amended and Restated Limited Liability Company Agreement (the "LLC Agreement"), such Required Dividends automatically will be deemed declared and authorized to be paid in full on such Dividend Payment Date.

"Parity Securities" means (1) the most senior preferred securities or preferred or preference shares issued directly by the Bank, if any, with powers, rights and preferences as to the Bank equivalent to the powers, rights and preferences of the Trust Preferred Securities and the LLC Class B Preferred Securities as to the Trust and the LLC, respectively, (2) any guarantee or similar instrument (other than the Subordinated Guarantees) issued by the Bank of preferred equity securities or preferred or preference shares issued by any Subsidiary through similarly linked structures as the Trust and the LLC, which guarantee or similar instrument ranks equally with the most senior preferred securities or preferred or preference shares of the Bank, and (3) the preferred equity securities or preferred or preference shares issued by a Subsidiary through similarly linked structures as the Trust and the LLC with the benefits of a guarantee or similar instrument from the Bank, which guarantee or similar instrument ranks equally with the most senior preferred securities or preferred or preference shares of the Bank, but does not include any such securities or shares issued to the Bank by any such Subsidiary. The Noncumulative Floating Rate

Guaranteed Trust Preferred Securities of Antonveneta Capital Trust I, aggregate liquidation preference €80,000,000, issued in December 2000 and guaranteed by the Bank on a subordinated basis, are Parity Securities.

“Relevant Period” means (i) in the case of Parity Securities that pay dividends less frequently than semi-annually, one year, and (ii) in the case of Parity Securities that pay dividends semi-annually or more frequently than semi-annually, six months (in each case ending on or including the date on which the relevant dividend on a Parity Security is paid but not including the corresponding day and the month that is twelve or six months prior thereto).

“Subsidiary” means any person or entity that is required to be consolidated with the Bank for financial reporting purposes under applicable Italian banking laws and regulations.

“Junior Securities” means all share capital of the Bank, including its preferred shares (“*Azioni Privilegiate*”), ordinary shares and savings shares (“*Azioni di Risparmio*”), now or hereafter issued, other than any share capital of the Bank that expressly or effectively ranks on a parity with or senior to any Parity Security.

#### Shift Events .....

A “Shift Event” will be deemed to have occurred if: (1) as a result of losses incurred by the Bank, on a consolidated or non-consolidated basis, the total risk-based capital ratio of the Bank, on a consolidated or non-consolidated basis, as calculated in accordance with applicable Italian banking laws and regulations, and either (a) reported in the Bank’s annual or semi-annual consolidated or non-consolidated financial statements or (b) determined by the Bank of Italy and communicated to the Bank, falls below the then minimum requirements of the Bank of Italy specified in its February 2000 regulations governing *Strumenti Innovativi di Capitale*, as amended from time to time (currently 5.0 per cent.); or (2) proceedings are commenced for the liquidation, dissolution or winding up of (or similar proceedings with respect to) the Bank; or (3) the Bank of Italy, in its sole discretion, notifies the Bank that it has determined that the Bank’s financial condition is deteriorating such that an event specified in either of clause (1) or (2) will occur in the near term.

Upon the occurrence of a Shift Event, all of the LLC Class A Preferred Securities will be automatically redeemed for all the Subordinated Notes then

outstanding, without redemption of the LLC Class B Preferred Securities. Additionally, the LLC will be prohibited from paying dividends on the LLC Class B Preferred Securities if a Shift Event has occurred and is continuing or would result from the payment of such dividends, except when it is required to pay Required Dividends, as described above.

**The Subordinated Guarantees .....**

The Subordinated Guarantees are intended to provide holders of the Trust Securities with rights to Dividends and Additional Amounts (as defined below) and holders of the LLC Class B Preferred Securities with rights to Dividends and LLC Additional Amounts (as defined below) and, in each case, rights upon redemption or liquidation that are equivalent to those to which the holders would have been entitled if the Trust Securities or the LLC Class B Preferred Securities, as the case may be, were issued directly by the Bank.

Any payment that the Bank is required to make under the Subordinated Guarantees is referred to herein as a "Subordinated Guarantee Payment".

To the extent and for the amount not otherwise paid in accordance with the terms of the Trust Securities, the Bank will be obligated unconditionally on a subordinated basis (without duplication) under the Trust Guarantee to pay: (1) distributions on the Trust Securities with respect to Dividends that are due and payable (or deemed payable) with respect to distributions of Dividends on the LLC Class B Preferred Securities; (2) the Redemption Price (as defined below) with respect to any Trust Securities called for redemption by the Trust; (3) upon liquidation of the Trust, the €1,000 liquidation preference per Trust Security; and (4) Additional Amounts, if any, with respect to any payment referred to in (1), (2) or (3), plus, in each case, interest accrued thereon from the date of making the claim under the Trust Guarantee, subject to the limitations described in "Description of the Subordinated Guarantees".

In addition, to the extent and for the amount not otherwise paid in accordance with the terms of the LLC Class B Preferred Securities, the Bank will be obligated unconditionally on a subordinated basis (without duplication) under the Class B Guarantee to pay: (1) Dividends that have been declared (or deemed declared) on the LLC Class B Preferred Securities; (2) the Redemption Price with respect to any LLC Class B Preferred Securities called for redemption by the LLC; (3) upon liquidation of the LLC, the €1,000 liquidation preference per LLC Class B Preferred Security; and (4)

LLC Additional Amounts, if any, with respect to any payment referred to in (1), (2) or (3), plus, in each case, interest accrued thereon from the date of making the claim under the Class B Guarantee, subject to the limitations described in "Description of the Subordinated Guarantees".

Notwithstanding the restrictions on the declaration and payment of Dividends by the LLC, the Bank will be permitted to make payments to the Trust, as holder of the LLC Class B Preferred Securities under the Class B Guarantee, or to holders of the Trust Preferred Securities under the Trust Guarantee, or otherwise in its discretion; *provided, however*, that the Bank will be prohibited from making any Subordinated Guarantee Payment so long as a Shift Event has occurred and is continuing; and *provided further, however*, that, notwithstanding the foregoing, the Bank will be required to make a Subordinated Guarantee Payment in respect of Required Dividends on the LLC Class B Preferred Securities at the times and in the amounts described below under "Description of the LLC Securities—LLC Class B Preferred Securities—Dividends" and "Description of the Subordinated Guarantees—General".

Subject to applicable law, the Bank's obligations under the Subordinated Guarantees constitute unsecured obligations of the Bank and will rank subordinate and junior to all indebtedness of the Bank (other than any instrument or contractual right expressed to rank *pari passu* with the Subordinated Guarantees) and senior to all share capital of the Bank, including its preferred shares, ordinary shares and savings shares.

**Ranking .....**

In the event of any voluntary or involuntary liquidation, dissolution, winding up or termination of the Trust, and with respect to distributions by the Trust of Dividend payments and payments upon redemption, the Trust Preferred Securities and the Trust Common Securities will rank *pari passu* with each other, except upon and during the continuance of an event of default under the Subordinated Notes or the Subordinated Guarantees, in which case holders of the Trust Preferred Securities will have a preference over holders of the Trust Common Securities as to distributions of Dividend payments and payments upon redemption and liquidation. The Trust Preferred Securities will rank *pari passu* among themselves.

Prior to a Shift Event, the LLC Class B Preferred Securities will rank senior to the LLC Class A Preferred Securities and the LLC Common Securities with respect

to Dividends and distributions upon redemption and liquidation. Subject to the consequences of the occurrence and continuation of a Shift Event, upon a liquidation, dissolution or winding up of the LLC, the LLC Class B Preferred Securities will rank junior to the LLC Class A Preferred Securities and senior to the LLC Common Securities with respect to distributions upon liquidation. The LLC Class B Preferred Securities will rank *pari passu* among themselves.

**LLC Class A Preferred Securities** .....

The LLC Class A Preferred Securities represent limited liability company interests in the LLC. All of the LLC Class A Preferred Securities will initially be owned directly by the Bank, acting through the Branch. Any sale, transfer or other disposition by the Bank of the LLC Class A Preferred Securities to another branch of the Bank will require the receipt by the Bank of (1) an opinion of a nationally recognized law firm in the United States experienced in such matters to the effect that (A) the LLC will continue to be treated as a partnership for United States federal income tax purposes and such transfer will not cause the LLC to be classified as an association or publicly traded partnership taxable as a corporation for United States federal income tax purposes, (B) such transfer will not cause the LLC or the Trust to be considered an investment company under the U.S. Investment Company Act of 1940, as amended (the "1940 Act"), and (C) such transfer will not adversely affect the limited liability of the holders of the LLC Class B Preferred Securities, and (2) written confirmation from the Bank of Italy that such transfer will not cause a Capital Event (as defined below under "—Redemption and Repurchases").

The LLC Class A Preferred Securities are nonvoting.

Prior to liquidation, dissolution or winding up of the LLC, Dividends on the LLC Class A Preferred Securities will be paid as, when and if declared by the Board, but only after payment of all Required Dividends to holders of the LLC Class B Preferred Securities. It is expected that all net income of the LLC, to the extent not otherwise required to be distributed in respect of the LLC Class B Preferred Securities for any Dividend Payment Date, will be distributed as Dividends on the LLC Class A Preferred Securities prior to the occurrence of a Shift Event. However, the payment of Dividends on the LLC Class A Preferred Securities is not a condition to the payment of Dividends on the LLC Class B Preferred Securities. After the occurrence of a Shift Event, all net income of the LLC, to the extent not otherwise required to be distributed as Dividends on the LLC Class B Preferred Securities for



any Dividend Payment Date, will be distributed as Dividends on the LLC Common Securities.

Except upon the occurrence of a Shift Event and subject to certain exceptions described herein, the LLC may not repurchase, redeem or otherwise acquire or set apart funds for repurchase, redemption or other acquisition of any LLC Class A Preferred Securities through a sinking fund or otherwise so long as the LLC Class B Preferred Securities are outstanding.

**Payment of Additional Amounts .....**

Any and all payments in respect of the Trust Securities made by or on behalf of the Trust will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature, imposed or levied by or on behalf of Italy, the United States or any jurisdiction where an Eligible Borrower (as defined below) is located (each, a "Relevant Jurisdiction") or any authority therein or thereof having power to tax (collectively, "Relevant Tax") payable by or on behalf of the Trust, unless the withholding or deduction of such Relevant Tax is required by law. In that event, the Trust will distribute to each holder, as further distributions, such additional amounts ("Additional Amounts") it receives from the LLC as a result of withholding on payments to such holder with the result that the net amounts received by each beneficial owner of the Trust Securities (or a third party on the holder's behalf), after such withholding or deduction, will equal the amount of the Dividends and any other distributions each beneficial owner would have received under the LLC Class B Preferred Securities if it held directly a number of Class B Preferred Securities equal to the number of Trust Preferred Securities held by it in the absence of such withholding or deduction, except that no such Additional Amounts will be payable to a holder of Trust Securities (or to a third party on the holder's behalf) with respect to any Trust Securities to the extent that such Relevant Tax is imposed or levied by virtue of such holder (or the beneficial owner of such Trust Securities) (i) having some connection with the Relevant Jurisdiction, other than being a holder (or beneficial owner) of such Trust Securities, or (ii) not having made a declaration of non-residence in, or other lack of connection with, the Relevant Jurisdiction or any similar claim for exemption, if the Bank or its agent has provided the beneficial owner of such Trust Securities or its nominee with at least 60 days' prior written notice of an opportunity to make such a declaration or claim.

All payments in respect of the LLC Class B Preferred Securities made by or on behalf of the LLC shall be made

without withholding or deduction for or on account of any Relevant Tax payable by or on behalf of the LLC, unless the withholding or deduction of such Relevant Tax is required by law. In that event, the LLC shall pay, as further Dividends, such additional amounts ("LLC Additional Amounts") as may be necessary in order that (A) the net amount received by each LLC Class B Preferred Securityholder, and (B) where the Trust is the LLC Class B Preferred Securityholder, then the net amount received by each beneficial owner of the Trust Preferred Securities, after such withholding or deduction, will equal the amount that would have been received (X) by such LLC Class B Preferred Securityholder in respect of the LLC Class B Preferred Securities (or by a third party on such LLC Class B Preferred Securityholder's behalf) and (Y) by such beneficial owner in respect of the Trust Preferred Securities (or by a third party on such Trust Preferred Securityholder's behalf), in the absence of such withholding or deduction of the Dividends on the LLC Class B Preferred Securities or of the distributions on the Trust Preferred Securities, except that no such LLC Additional Amounts will be payable to a LLC Class B Preferred Securityholder (or to a third party on such LLC Class B Preferred Securityholder's behalf) with respect to any LLC Class B Preferred Securities to the extent that such Relevant Tax is imposed or levied by virtue of such LLC Class B Preferred Securityholder (or the beneficial owner of such LLC Class B Preferred Securities) (i) having some connection with the Relevant Jurisdiction, other than being a LLC Class B Preferred Securityholder (or beneficial owner of such LLC Class B Preferred Securities) or being a holder (or beneficial owner) of Trust Preferred Securities or (ii) not having made a declaration of non-residence in, or other lack of connection with, the Relevant Jurisdiction or any similar claim for exemption, if the Bank or its agent has provided the beneficial owner of such LLC Class B Preferred Securities or such Trust Preferred Securities or its nominee with at least 60 days' prior written notice of any opportunity to make such a declaration or claim.

Under the Subordinated Guarantees, the Bank will pay additional amounts ("Guarantor Additional Amounts") as may be necessary so that every payment thereunder, after withholding for any Relevant Tax payable by or on behalf of the Bank, will not be less than the amount otherwise required to be paid, subject to certain exceptions described herein.

Under the Subordinated Notes, the related Eligible Borrower will pay additional amounts ("Subordinated Note Additional Amounts") as may be necessary so that

every payment thereunder, after withholding for any Relevant Tax payable by or on behalf of the related Eligible Borrower, will not be less than the amount otherwise required to be paid, subject to certain exceptions described herein.

**Redemption and Repurchases .....**

The Trust Securities may be redeemed, in whole or in part, only upon redemption of the LLC Class B Preferred Securities. If the LLC redeems any LLC Class B Preferred Securities, the Trust must redeem a number of Trust Securities having an aggregate liquidation preference equal to the aggregate liquidation preference of the LLC Class B Preferred Securities so redeemed at the Redemption Price (as defined below) per Trust Security. The Trust will pass through the redemption payments it receives on the LLC Class B Preferred Securities to redeem a corresponding number of Trust Preferred Securities.

The LLC Class B Preferred Securities may be redeemed by the LLC, at its option, in whole or in part, at the Redemption Price on any Dividend Payment Date occurring on or after March 21, 2011 (the "Regular Redemption Dates"), subject to the prior approval of the Bank and, if then required, the Bank of Italy. The LLC Class B Preferred Securities will also be redeemable, at the option of the LLC, subject to the prior approval of the Bank and, if then required, the Bank of Italy, in whole but not in part, on any Dividend Payment Date occurring prior to March 21, 2011 (the "Special Redemption Dates" and, together with the Regular Redemption Dates, the "Redemption Dates") if an LLC Special Event (as defined below) occurs to the extent that no Shift Event has occurred.

The "Redemption Price" means the liquidation preference per LLC Class B Preferred Security, plus any accumulated and unpaid Dividends for the Dividend Period immediately preceding the related Redemption Date and any unpaid Required Dividends, plus any LLC Additional Amounts thereon.

An "LLC Special Event" means (1) a Capital Event, (2) an Investment Company Event with respect to the LLC, or (3) a Tax Event with respect to the LLC.

A "Capital Event" means the Bank is notified by the Bank of Italy to the effect that neither the LLC Class B Preferred Securities nor the Trust Preferred Securities may be included in the consolidated or non-consolidated Tier 1 capital of the Bank.

An "Investment Company Event" means that the Bank has requested and received an opinion of a nationally recognized United States law firm experienced in such matters to the effect that there is more than an insubstantial risk that the Trust or the LLC is or will be considered an investment company within the meaning of the 1940 Act, as a result of any judicial decision, any pronouncement or interpretation (irrespective of the manner made known), any adoption or amendment of any law, rule or regulation or any notice or announcement (including any notice or announcement of intent to adopt such rule or regulation) by any United States legislative body, court, governmental agency or regulatory authority after the date of this Offering Memorandum.

A "Tax Event" means that the Bank has requested and received an opinion of an independent nationally recognized law firm or other tax adviser in the Relevant Jurisdiction, as appropriate, experienced in such matters, to the effect that, as a result of (1) any amendment to, or clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations promulgated thereunder) of the Relevant Jurisdiction or any political subdivision or taxing authority thereof or therein affecting taxation, (2) any Administrative Action, or (3) any amendment to, clarification of, or change in the official position or the interpretation of such Administrative Action or any interpretation or pronouncement that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental, administrative or regulatory authority or body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification or change is effective, or which pronouncement or decision is announced, on or after the date of this Offering Memorandum, there is more than an insubstantial risk that (A) the Trust or the LLC is or will be subject to more than a *de minimis* amount of taxes, duties or other governmental charges; (B) if a payment in respect of the Trust Securities or the LLC Class B Preferred Securities were to be due (whether or not the same is in fact then due) on or before the next Dividend Payment Date, the Trust or the LLC, as the case may be, would be unable to make such payment without having to pay Additional Amounts or LLC Additional Amounts, as the case may be; or (C) if a payment in respect of the Subordinated Notes were to be due (whether or not the same is in fact then due) on or before the next interest payment date in respect of the Subordinated Notes, the related Eligible Borrower would be unable to make such

payment without having to pay Subordinated Note Additional Amounts; *provided, however*, that none of the foregoing events will constitute a Tax Event if such event may be avoided by the related Eligible Borrower, the Trust or the LLC taking reasonable measures which (x) do not require the incurrence of material out-of-pocket expenses and (y) would not otherwise be disadvantageous to the Bank, the Branch or the related Eligible Borrower, as determined in the Bank's discretion.

**Distribution of LLC Class B Preferred Securities Upon Dissolution of the Trust . . . . .**

Following any liquidation of the Trust as a result of the occurrence of a Trust Special Event (as defined below) or otherwise, holders of the Trust Securities will receive a corresponding number of LLC Class B Preferred Securities with the equivalent aggregate liquidation preference.

A "Trust Special Event" means (1) an Investment Company Event solely with respect to the Trust, but not with respect to the LLC, or (2) a Tax Event solely with respect to the Trust, but not with respect to the LLC or an Eligible Borrower.

**Liquidation Preference . . . . .**

Trust Preferred Securities: liquidation preference of €1,000 per Trust Preferred Security.

LLC Class B Preferred Securities: liquidation preference of €1,000 per LLC Class B Preferred Security.

The Trust will be dissolved, liquidated, wound up or terminated only in the limited circumstances described under "Description of the Trust Securities—Liquidation Distribution Upon Dissolution". Upon any such voluntary or involuntary dissolution, liquidation, winding up or termination of the Trust, holders of the Trust Preferred Securities will be entitled to receive LLC Class B Preferred Securities with an equivalent aggregate liquidation preference.

So long as the LLC Class B Preferred Securities are outstanding, the LLC will be dissolved, liquidated or wound up only in the limited circumstances described under "Description of the LLC Securities—Liquidation Distribution Upon Dissolution". Upon any such voluntary or involuntary dissolution, liquidation or winding up of the LLC, holders of the LLC Class B Preferred Securities will, subject to certain limitations, be entitled to receive out of assets of the LLC available for distribution to security holders after satisfaction of liabilities of creditors in accordance with applicable law, the liquidation preference per LLC Class B Preferred Security, plus

accumulated and unpaid Dividends for the then current Dividend Period and declared or deemed declared and unpaid Dividends thereon, if any, to the date of such liquidation, without any interest.

Because the holders of the LLC Class A Preferred Securities have a claim senior to that of the holders of the LLC Class B Preferred Securities upon liquidation, dissolution or winding up of the LLC and the holders of the LLC Class A Preferred Securities will be entitled to receive as their liquidation distribution all of the Subordinated Notes, it is anticipated that the claim of the holders of the LLC Class B Preferred Securities in liquidation will be required to be satisfied under the Class B Guarantee. Accordingly, upon any liquidation, dissolution or winding up of the LLC, the Property Trustee will enforce the Class B Guarantee solely for the benefit of the Trust as sole holder of the LLC Class B Preferred Securities.

So long as any LLC Class B Preferred Securities are outstanding, if the Bank is dissolved, liquidated, wound up or terminated, the LLC must be dissolved, liquidated or wound up. So long as any Trust Preferred Securities are outstanding, if the Bank or the LLC is dissolved, liquidated, wound up or terminated, the Trust must be dissolved, liquidated, wound up or terminated.

Under the terms of the LLC Agreement, and to the fullest extent permitted by law, the LLC shall not be dissolved until all claims under the Subordinated Guarantees shall have been paid to the fullest extent pursuant to the terms thereof.

**Independent Director .....**

The LLC Agreement will provide that, for as long as any LLC Class B Preferred Securities are outstanding, there will at all times be a member of the Board that is not and was not at any time an officer, employee, non-independent director or affiliate of the Bank or any of its affiliates and who, to the fullest extent permitted by law, will act exclusively on behalf of the holders of the LLC Class B Preferred Securities (the "Independent Director").

To the fullest extent permitted by law, the Independent Director will at all times be obligated to act in the best interests of the holders of the LLC Class B Preferred Securities.

The LLC Agreement will also provide that so long as any LLC Class B Preferred Securities are outstanding, certain actions (the "Designated Actions") by the LLC must be approved by the Independent Director as well as by a

majority of the entire Board. The Designated Actions include: (1) any payment of Dividends on any LLC Class A Preferred Securities prior to the occurrence of a Shift Event or the payment of dividends or the making of distributions on the LLC Common Securities, in each case other than in accordance with the LLC Agreement; (2) the conversion of the LLC into another type of entity or the consolidation or merger of the LLC into any other entity, the consolidation or merger of any other entity with or into the LLC or the sale of all or substantially all of the assets of the LLC other than in accordance with the LLC Agreement; (3) to the fullest extent permitted by law, any dissolution, liquidation or winding up of the LLC that is not concurrent with the liquidation of the Bank; (4) any amendment or modification of the LLC Class B Preferred Securities, the Class B Guarantee or the Subordinated Notes (or any other security, contract obligation, agreement or instrument that is an asset of the LLC) that adversely affects the powers, preferences or special rights of the LLC Class B Preferred Securities in any material respect; (5) the approval of the sale, transfer or other disposition by the Bank of the LLC Common Securities other than to a branch of the Bank or a subsidiary of the Bank that is deemed to be a "company controlled by the parent company" within the meaning of Rule 3a-5 under the 1940 Act; and (6) any other action by the LLC or the Bank that could reasonably be expected to affect adversely the interests of the holders of the LLC Class B Preferred Securities in any material respect.

The Independent Director, acting alone and without the vote or consent of the other members of the Board, will be entitled to take any and all such actions on behalf of the LLC in respect of the Subordinated Notes, the Class B Guarantee or any other right or remedy or course of action available to the LLC against the Bank, the Branch or any other party.

**Voting Rights** .....

Except as otherwise expressly provided, all voting rights will vest in the LLC Common Securities and the Trust Common Securities. Holders of the Trust Preferred Securities will not have any voting rights, except that, subject to certain conditions, the holders of a majority of the outstanding Trust Preferred Securities will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Property Trustee or to direct the exercise of any trust or power conferred upon the Property Trustee under the amended and restated trust agreement of the Trust (the "Trust Agreement"), including the right to direct the Property Trustee, as holder of the LLC Class B Preferred

Securities, to pursue any remedy available to the Trust against the Bank under the Class B Guarantee. In addition, after a Trust Enforcement Event (as defined below), the holders of the Trust Preferred Securities have the right to elect replacements for certain of the trustees of the Trust.

If the Property Trustee fails to enforce (1) the rights of the Trust under the LLC Class B Preferred Securities against the LLC or (2) the rights of the Trust as a holder of LLC Class B Preferred Securities under the Class B Guarantee against the Bank after a holder of the Trust Preferred Securities has made a written request, such holder may directly institute a legal proceeding against the LLC to enforce the Trust's rights under the LLC Class B Preferred Securities or against the Bank to enforce such holder's rights under the Subordinated Guarantees without first instituting any legal proceeding against the Property Trustee, the Trust, the Independent Director or any other person or entity.

The LLC Class A Preferred Securities will be non-voting. The LLC Class B Preferred Securities will also be non-voting, except that holders of the LLC Class B Preferred Securities (and consequently, holders of the Trust Preferred Securities) are entitled to the exclusive right to replace the existing Independent Director by electing a new Independent Director upon the occurrence of a Shift Event or if, for any Dividend Period, Required Dividends and any LLC Additional Amounts have not been paid in full by the LLC or by the Bank under the Class B Guarantee for any Dividend Payment Date or Special Dividend Date.

With certain exceptions, the Subordinated Guarantees may not be amended or modified, except with the prior approval of the holders of not less than 66 2/3 per cent. of the aggregate liquidation amount of the outstanding Trust Preferred Securities (excluding any Trust Preferred Securities held by the Bank or any of its affiliates, with certain exceptions).

**Reopening of Transaction .....**

Except as described below, the Trust may not issue any certificates of beneficial interest other than the Trust Securities described herein and the LLC may not issue any additional limited liability company interest other than the LLC Securities described herein. Notwithstanding the foregoing, the Trust may issue additional Trust Preferred Securities and the LLC may issue additional LLC Class B Preferred Securities, in each case having identical terms to the Trust Preferred Securities and the LLC Class B Preferred Securities (other than issuance date) as



described herein, but only if such issuance occurs before or around September 27, 2001 and satisfies the requirements set forth under "Description of the Trust Securities—Reopening" and "Description of the LLC Securities—Reopening".

**Subordinated Notes** .....

The LLC will use the proceeds from the issuance of the LLC Securities to purchase Subordinated Notes issued by the Bank, acting through the Branch (the "Initial Subordinated Notes").

The Initial Subordinated Notes will constitute an unconditional unsecured subordinated obligation of the Bank, acting through the Branch, and in liquidation of the Branch, will rank behind the claims of all present and future indebtedness of the Bank and before the claims of holders of Junior Securities.

Interest on the Initial Subordinated Notes will accrue on the principal amount of the Subordinated Notes from the original date of issue and will be payable quarterly in arrears on the same dates as the Dividend Payment Dates (1) at a rate of 3.10 per cent. per annum above EURIBOR from and including their original date of issue to but excluding September 27, 2011 and (2) thereafter at a rate of 4.65 per cent. per annum above EURIBOR.

Interest on the Initial Subordinated Notes will be mandatorily due and payable on the Dividend Payment Dates of the Trust Preferred Securities and the LLC Class B Preferred Securities unless and to the extent that Dividends on the LLC Class B Preferred Securities are not (or would not be) mandatorily due and payable on the Dividend Payment Date corresponding to such interest payment date. If interest on the Initial Subordinated Notes on an interest payment date is not mandatorily due and payable, then interest payable on the related interest payment date will be limited as and to the same extent with respect to Dividends on the LLC Class B Preferred Securities.

The Initial Subordinated Notes will mature on December 31, 2100 (*provided, however*, that if the corporate life of the Bank extends beyond such date, such date may be extended by mutual consent of the LLC and the Bank).

The Initial Subordinated Notes will be subject to redemption by the Bank at any time, subject to compliance with the applicable regulatory requirements, including the prior approval, if then required, of the Bank of Italy.

If the Bank becomes subject to certain liquidation proceedings under Italian law, the holders of the Initial Subordinated Notes may, to the extent that such Initial Subordinated Notes have not become due by operation of law, declare the principal amount of such Subordinated Notes to be immediately due and payable, together with accrued interest to but excluding the date of repayment. Otherwise, the holders of the Initial Subordinated Notes will not have any right to accelerate the payment of principal thereunder.

The Bank will have the right to substitute for the Branch as obligor under the Initial Subordinated Notes, or substitute for the Initial Subordinated Notes other qualifying subordinated indebtedness issued by, the Bank or another non-Italian branch of the Bank (together with the Branch, the "Eligible Borrowers") upon the satisfaction of certain conditions. In addition, the Bank may cause the LLC to exchange the Initial Subordinated Notes for other subordinated indebtedness, or invest the proceeds upon maturity of the Initial Subordinated Notes in other subordinated debt of an Eligible Borrower. The Initial Subordinated Notes, and any such other subordinated indebtedness, are referred to as the "Subordinated Notes". The Bank may make such substitution or cause such reinvestment only if: (1) each rating agency, if any, then rating the Trust Preferred Securities or if not outstanding, the LLC Class B Preferred Securities, if then rated, has informed the Bank in writing that such substitution or reinvestment will not result in a downgrading of the rating then assigned by such rating agency; (2) there would be no adverse tax consequences to the Bank as a consequence of such substitution or reinvestment; (3) there would be no adverse withholding tax consequences to holders of the Trust Preferred Securities or the LLC Class B Preferred Securities; (4) the Bank receives written confirmation from the Bank of Italy approving such substitution or reinvestment and that the LLC Class B Preferred Securities would continue to qualify as Tier 1 capital of the Bank on a consolidated and non-consolidated basis; (5) neither the Trust nor the LLC would be considered an investment company under the 1940 Act; (6) the LLC would continue to be treated as a partnership and the Trust would be classified as a grantor trust, in each case, for U.S. federal income tax purposes; and (7) the Bank delivers to the Independent Director an officers' certificate and an opinion of counsel stating that all conditions precedent to the substitution or reinvestment have been complied with.

Services Agreement .....

The LLC and the Trust will enter a services agreement

with the Branch (the "Services Agreement"). Under the Services Agreement, the Branch will be obligated, among other things, to provide legal, accounting, tax and other general support services to the Trust and the LLC, to maintain compliance with all pertinent U.S. and Italian local, state and federal laws, and to provide administrative, record-keeping and secretarial services for the Trust and the LLC. As the holder of the LLC Common Securities and the Trust Common Securities, the Branch will pay all the fees and expenses of the LLC and the Trust, including those incurred under the Services Agreement. The Services Agreement may not be terminated so long as any of the LLC Securities or the Trust Securities remain outstanding.

**Governing Law** .....

The LLC Agreement, including the terms of the LLC Securities, and the Trust Agreement, including the terms of the Trust Securities, will be governed by Delaware law. The Services Agreement will be governed by New York law. Each of the Subordinated Guarantees and the Subordinated Notes will be governed by New York law, except that their respective subordination provisions will be governed by the laws of Italy.

**Listing** .....

Application has been made to list the Trust Preferred Securities on the Luxembourg Stock Exchange.

**Form and Denomination** .....

The Trust Preferred Securities will be issued in denominations of €1,000 per Trust Preferred Security. Trust Preferred Securities will be initially evidenced by a temporary global certificate, registered in the name of, and shall be deposited on or about the Issue Date with, BNP Paribas Luxembourg, as common depositary (the "Common Depositary") for Euroclear and Clearstream, Luxembourg. Beneficial interests in the global Trust Preferred Securities will be shown on, and transfers thereof will be effected through, records maintained by Euroclear and Clearstream, Luxembourg and their respective participants. No payments with respect to a holder's beneficial interest in the temporary global certificate will be made to such holder without a certification by or on behalf of such holder that it is not a U.S. Person as defined under Regulation S under the Securities Act. Not earlier than 40 days after the Issue Date, upon certification of non-U.S. beneficial ownership, a beneficial interest in the temporary global certificate may be transferred to a beneficial interest in a permanent global certificate. See "Description of the Trust Securities—Form, Denomination and Transfer".

**Certain Covenants of the Bank** .....

The Bank will agree, among other things, that, for so long

as any of the Trust Preferred Securities or LLC Class B Preferred Securities are outstanding, it will procure that each of its subsidiaries and affiliates observe the restrictions imposed on it by virtue of the Trust Agreement and/or the LLC Agreement. The Bank and the LLC will each agree, among other things, that, for so long as any of the Trust Preferred Securities or LLC Class B Preferred Securities are outstanding: (1) it will not issue any preferred securities or preferred or preference shares ranking senior to its obligations under the Subordinated Guarantees; (2) it will cause the Branch or any other branch of the Bank to hold 100 per cent. of the LLC Class A Preferred Securities; (3) it will cause the LLC Common Securities and the Trust Common Securities to be held by the Bank acting through the Branch, any other branch of the Bank or, with the prior approval of the Bank of Italy, if then required, one or more subsidiaries of the Bank, each of which is deemed to be a "company controlled by the parent company" within the meaning of Rule 3a-5 under the 1940 Act; (4) it will not permit, or take any action to cause, the Trust to issue securities other than the Trust Securities; (5) it will not permit, or take any action to cause, the liquidation, dissolution or winding up or termination of the LLC or the Trust (other than in the case of a Trust Special Event), unless the Bank (or in the case of the Trust, the LLC or the Bank) is itself in liquidation and, if then required, the approval of the Bank of Italy for such action has been received and all claims under the Subordinated Guarantees shall have been paid to the fullest extent under their terms; (6) it will not assign its obligations under the Subordinated Guarantees except in the case of merger, de-merger ("*scissione*") under Italian law, consolidation or sale of substantially all of its assets where the Bank is not the surviving entity; (7) if the Bank or the LLC is in liquidation other than as contemplated by clause (6), it will cause the LLC to liquidate; (8) it will cause the Trust to irrevocably assign its rights under the Class B Guarantee only to the Property Trustee; (9) it will not cause the LLC to incur indebtedness for borrowed money or take any action that could reasonably be expected to cause an LLC Special Event to occur; and (10) it will use its commercially reasonable efforts to ensure that the LLC will not be considered (x) an investment company within the meaning of the 1940 Act or (y) an association or a publicly traded partnership taxable as a corporation for United States federal income tax purposes.

In addition, subject to certain exceptions described herein under "Description of the LLC Securities—Redemption" and in the LLC Agreement, so long as any LLC Class B Preferred Securities are outstanding, neither the Bank nor

any Subsidiary will be entitled to redeem, repurchase or otherwise acquire, or set apart funds for the redemption, repurchase or other acquisition of, any Parity Securities or Junior Securities, through a sinking fund or otherwise, unless and until (A) full Dividends on all LLC Class B Preferred Securities for the prior financial year (or such lesser period during which the LLC Class B Preferred Securities have been outstanding) are paid or a sum sufficient for payment has been paid to the paying agent for payment of such Dividends and (B) the LLC has declared Dividends on the LLC Class B Preferred Securities in full at the Dividend Rate for the then current Dividend Period and sufficient funds have been paid to the paying agent for payment of such Dividends. It is an obligation of the Bank to ensure that its affiliates observe the foregoing limitations.

**Property Trustee and Delaware Trustee .....**

The Bank of New York will act as the Property Trustee and The Bank of New York (Delaware) will act as Delaware Trustee.

**Use of Proceeds .....**

All of the proceeds from the sale of the Trust Securities will be invested by the Trust in the LLC Class B Preferred Securities. The LLC will use the proceeds from the sale of the LLC Securities to purchase the Initial Subordinated Notes from the Branch. The Branch intends to use the proceeds from the issuance and sale of the Initial Subordinated Notes for general corporate purposes.

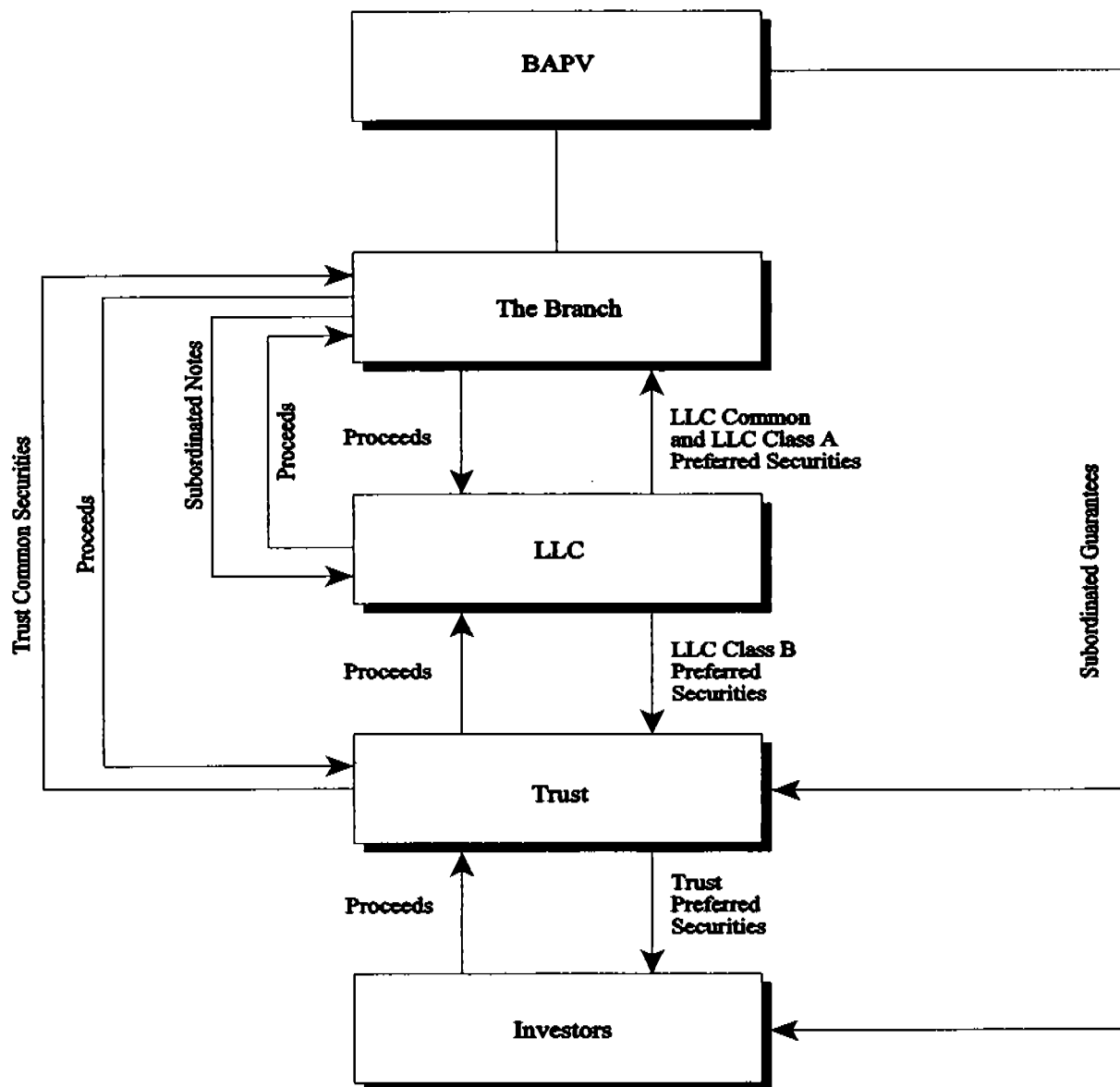
**U.S. Transfer Restrictions .....**

The Trust Preferred Securities have not been and will not be registered under the Securities Act and may not at any time be offered, sold or otherwise transferred, except as described under "Notice to Investors". See "Description of the Trust Securities—Form, Denomination and Transfer".

<b>Ratings</b> .....	Neither the Trust Preferred Securities nor the LLC Class B Preferred Securities will be rated by any rating agency.
<b>Clearing Systems and Settlement</b> .....	The Trust Preferred Securities are expected to be accepted for clearance through Euroclear and Clearstream, Luxembourg.
<b>Securities Identification Numbers:</b>	
Regulation S Common Code .....	13173923
Regulation S ISIN .....	XS0131739236

### EXPLANATORY DIAGRAM

The following diagram outlines the relationship among BAPV, the Branch, the Trust and the LLC following the completion of the offering:



## INVESTMENT CONSIDERATIONS

*Prospective investors should carefully consider the following investment considerations with the other information contained in this Offering Memorandum before purchasing Trust Preferred Securities.*

### **The Group's Financial Condition**

If the Group's financial condition were to deteriorate, the Trust, the LLC and the holders of the Trust Preferred Securities and the LLC Class B Preferred Securities could suffer direct and materially adverse consequences, including suspension of the payment of noncumulative distributions on the Trust Preferred Securities and the LLC Class B Preferred Securities and, if a liquidation, dissolution or winding up of the Bank were to occur, loss by holders of the Trust Preferred Securities and the LLC Class B Preferred Securities of all or part of their investment. See "—Rights under the Subordinated Guarantees; Ranking of the Subordinated Guarantees", "Description of the Trust Securities", "Description of the LLC Securities" and "Description of the Subordinated Guarantees".

### **Recent Acquisitions**

While management is confident that integration will be successfully accomplished, it will require significant expenditure of resources and management time in the near future. In June 1999, the Bank acquired a 48.73% controlling interest in the shares with voting rights of Banca Nazionale dell'Agricoltura S.p.A. ("BNA") and, later, in September 1999, the Bank increased its participation in BNA to 88.44% of the shares with voting rights through a public purchase offer. In July 1999, the Bank acquired a 65.60% controlling interest in Banca di Credito Popolare di Siracusa S.p.A. ("Banca di Credito Popolare"). In addition, the Bank has effected a series of other bank acquisitions in Italy over the past two years. The integration of some of the acquired companies into the Group has not been completed.

No assurance can be given as of the date hereof as to the effect of the aforementioned acquisitions on the business, financial condition, results of operations, prospects, management or operating structure of the Bank or the Group. See "Certain Information Relating to the Bank—History".

### **Rights Under the Subordinated Guarantees; Ranking of the Subordinated Guarantees**

The Subordinated Guarantees are intended to provide the holders of the LLC Class B Preferred Securities and the Trust Preferred Securities, as nearly as possible, with rights to Dividends or distributions and upon liquidation or redemption equivalent to those to which the holders would have been entitled if the LLC Class B Preferred Securities or the Trust Preferred Securities, as the case may be, were issued directly by the Bank. These rights are independent of the assets, income or cash flows of the LLC or the Trust. The Bank's obligations under the Subordinated Guarantees constitute unsecured obligations and will rank subordinate and junior to indebtedness of the Bank (other than any instrument or contractual right expressed to rank *pari passu* with the Subordinated Guarantees) and senior to all its share capital. See "Description of the Subordinated Guarantees".

### **No Obligation to Pay Dividends; Dividends Not Cumulative**

The declaration (or deemed declaration) of Dividends on the LLC Class B Preferred Securities (and, accordingly, the making of distributions on the Trust Preferred Securities) will not be required under the LLC Agreement (and, accordingly, no payment with respect to Dividends or distributions will be due under the Subordinated Guarantees) unless such Dividends are Required Dividends.

Dividends on the Trust Preferred Securities and the LLC Class B Preferred Securities are not cumulative. Distributions with respect to Dividends on the Trust Preferred Securities are payable with respect to any Dividend Period only if Dividends for the Dividend Period are declared or deemed declared or paid on the LLC Class B



Preferred Securities. Consequently, if, for any reason, Dividends on the LLC Class B Preferred Securities are neither declared nor deemed declared or paid for any Dividend Period, the holders of the LLC Class B Preferred Securities (and the holders of the Trust Preferred Securities) will not be entitled to recover such Dividends, whether or not funds are or subsequently become available at the LLC or the Trust, as the case may be, or Dividends on the LLC Class B Preferred Securities are declared (or deemed declared) or paid for any future Dividend Period.

#### **Optional Redemption Upon the Occurrence of an LLC Special Event or Trust Special Event**

##### *Redemption Upon Occurrence of an LLC Special Event*

If an LLC Special Event (as defined below) occurs, the LLC could redeem the LLC Class B Preferred Securities before September 27, 2011. If the LLC Class B Preferred Securities are redeemed, the Trust will redeem the Trust Preferred Securities. See “Description of the Trust Securities—Redemption” and “Description of the LLC Securities—LLC Class B Preferred Securities—Redemption and Repurchase”. You may be unable to invest the proceeds of a redemption at a yield comparable to the yield you are receiving on the Trust Preferred Securities.

##### *Liquidation of the Trust Upon Occurrence of a Trust Special Event*

If either a Tax Event or an Investment Company Event occurs, in either case, solely with respect to the Trust, then, at the option of the Regular Trustees (as defined below) of the Trust, the Trust may be dissolved and liquidated. Upon a liquidation of the Trust in either case, each holder of the Trust Securities will receive as its liquidation distribution a corresponding number of the LLC Class B Preferred Securities with an equivalent aggregate liquidation preference. Upon such distribution, the LLC Class B Preferred Securities may not be listed on the Luxembourg Stock Exchange or any other stock exchange. In addition, the LLC will furnish holders of the LLC Class B Preferred Securities, or their nominees, with a Schedule K-1 each year in accordance with the U.S. Internal Revenue Code of 1986, as amended (the “Code”), which may result in the ineligibility of the LLC Class B Preferred Securities to clear and settle through Euroclear and Clearstream, Luxembourg. As a result, the liquidity and market price of the LLC Class B Preferred Securities distributed upon the liquidation of the Trust may be less advantageous than the liquidity and market price of the Trust Preferred Securities prior to such liquidation.

If the LLC Class B Preferred Securities are distributed to holders of the Trust Securities, the LLC and the Bank will agree to use their reasonable efforts to cause the listing of the LLC Class B Preferred Securities on the Luxembourg Stock Exchange. Upon any such listing, the Bank and the LLC will notify holders of the LLC Class B Preferred Securities in accordance with the provisions set forth in “Description of the Trust Securities—Notices”. The LLC Class B Preferred Securities presently are not listed on the Luxembourg Stock Exchange or any other securities exchange. See “Description of the Trust Securities—Redemption”.

#### **No Voting Rights**

Holders of the Trust Preferred Securities will not have any voting rights, except as described under “Description of the Trust Securities—Voting Rights”. The LLC Class B Preferred Securities will be non-voting, except that, upon the occurrence of a Shift Event or the failure of the LLC to pay Required Dividends or LLC Additional Amounts, or of the Bank to pay amounts in respect thereof under the Class B Guarantee, for any Dividend Period, the holders of the LLC Class B Preferred Securities will have the right to replace the existing Independent Director (as defined below) by electing a new Independent Director.

#### **Absence of Prior Public Market**

The Trust Preferred Securities are a new issue of securities. Prior to this offering, there has been no public market for the Trust Preferred Securities. Application has been made to list the Trust Preferred Securities on the Luxembourg Stock Exchange. However, there can be no assurance that an active public market for the Trust Preferred Securities will develop. The liquidity and the market prices for the Trust Preferred Securities can be

expected to vary with changes in market and economic conditions, the financial condition and prospects of the Group and other factors that generally influence the market prices of securities. Such fluctuations may significantly affect liquidity and market prices for the Trust Preferred Securities.

## **USE OF PROCEEDS**

The net proceeds of the offering (after deducting the underwriting commissions payable by the LLC) are estimated to be approximately €217,800,000. All of the proceeds from the sale of the Trust Securities will be invested by the Trust in the LLC Class B Preferred Securities. The LLC will use the proceeds from the sale of the LLC Class B Preferred Securities, together with funds contributed by the Branch in subscribing for the LLC Class A Preferred Securities and the LLC Common Securities, to purchase the Initial Subordinated Notes. The Branch intends to use the proceeds from the Initial Subordinated Notes for its general corporate purposes.

## ANTONVENETA CAPITAL TRUST II

Antonveneta Capital Trust II is a statutory business trust formed on June 19, 2001 under the Delaware Business Trust Act, as amended (the "Trust Act"), under a trust agreement and a certificate of trust filed with the Secretary of State of the State of Delaware. The trust agreement will be amended and restated in its entirety on or about June 27, 2001 (as so amended and restated, the "Trust Agreement").

The Branch will initially acquire 100 per cent. of the common securities of the Trust (the "Trust Common Securities"), which will have an aggregate liquidation preference equal to €5,000. The Trust will use all the proceeds derived from the issuance of the Trust Securities to purchase the LLC Class B Preferred Securities from the LLC. The assets of the Trust will consist solely of the LLC Class B Preferred Securities and the related rights under the Subordinated Guarantees.

The Trust exists exclusively for the purposes of:

- issuing the Trust Securities;
- investing the proceeds of the Trust Securities in, and holding, the LLC Class B Preferred Securities and the related rights under the Subordinated Guarantees; and
- engaging in only other activities necessary, appropriate, proper, advisable or incidental thereto.

The following table sets forth the capitalization of the Trust as adjusted to reflect the consummation of the transactions described in this Offering Memorandum.

	<u>June 19, 2001</u>	
	<u>Actual</u>	<u>As Adjusted</u>
<u>(In Thousands of Euro)</u>		
<b>Debt</b>		
Total long-term debt	0	0
<b>Securityholders' equity</b>		
Trust Preferred Securities	0	220,000
Trust Common Securities	0	5
<b>Total securityholders' equity</b>	0	220,005
<b>Total capitalization(1)</b>	<b>0</b>	<b>220,005</b>

(1) There has been no material change in the capitalization of the Trust since its formation except as disclosed in the above table.

Pursuant to the Trust Agreement, there will initially be five trustees (the "Trustees") for the Trust. Three of the Trustees will be individuals who are employees or officers of the Branch (the "Regular Trustees"). The fourth Trustee, the property trustee, will be a financial institution that is unaffiliated with the Branch (the "Property Trustee"). The fifth Trustee will be an entity that maintains its principal place of business in the State of Delaware (the "Delaware Trustee").

The initial Regular Trustees of the Trust will be Renato Bassi, Vincenzo Ciancio and Constantine I. Manzini, each of whom is an employee of the Branch or the Bank.

Initially, The Bank of New York will act as Property Trustee and The Bank of New York (Delaware) will act as Delaware Trustee.

The Property Trustee will hold title to the LLC Class B Preferred Securities and the related rights under the Trust Guarantee for the benefit of the holders of the Trust Securities. The Property Trustee will have the power to exercise all rights, powers and privileges with respect to the LLC Class B Preferred Securities under the LLC Agreement as the holder of the LLC Class B Preferred Securities and all rights under the Class B Guarantee. In addition, the Property Trustee will maintain exclusive control of the property account to hold all payments received in respect of the LLC Class B Preferred Securities for the benefit of the holders of the Trust Securities.

In accordance with the terms of the Trust Agreement, prior to the occurrence and continuance of a Trust Enforcement Event (as defined below), the Branch, as the holder of all the Trust Common Securities, will have the right to appoint, remove or replace any of the Trustees and to increase or decrease the number of Trustees. However, at least one Trustee must be the Delaware Trustee, at least one Trustee must be the Property Trustee and at least one Trustee must be a Regular Trustee. After a Trust Enforcement Event occurs and so long as it is continuing, a majority of the holders of the Trust Preferred Securities will have the right to appoint, remove or replace the Property Trustee and the Delaware Trustee as provided in the Trust Agreement.

For so long as the Trust Preferred Securities remain outstanding, the Bank, acting through the Branch, will covenant that:

- 100 per cent. of the Trust Common Securities will be held by the Bank acting through the Branch, any other branch of the Bank or, with the prior approval of the Bank of Italy, if then required, by one or more subsidiaries of the Bank, each of which is deemed to be a "company controlled by the parent company" within the meaning of Rule 3a-5 under the 1940 Act; and
- it will not permit, or take any action to cause, the Trust to issue securities other than the Trust Securities;
- it will not permit, or take any action to cause, the liquidation, dissolution or winding up or termination of the LLC or the Trust (other than in the case of a Trust Special Event), unless the Bank or the LLC is itself in liquidation and, if then required, the approval of the Bank of Italy for such action has been received and all claims under the Subordinated Guarantees shall have been paid to the fullest extent under their terms;
- it will use its commercially reasonable efforts to ensure that the Trust will not be classified as an investment company for purposes of the 1940 Act; and
- it will take no action that would be reasonably likely to cause the Trust to be classified as (1) other than a grantor trust for United States federal income tax purposes or (2) an association or a publicly traded partnership taxable as a corporation for United States federal income tax purposes.

The Branch may transfer the Trust Common Securities to any other branch of the Bank or, with the prior approval of the Bank of Italy, if then required, one or more subsidiaries of the Bank, each of which is deemed to be a "company controlled by the parent company" within the meaning of Rule 3a-5 under the 1940 Act, *provided* that prior to such transfer it has received an opinion of an independent nationally recognized law firm in the United States experienced in such matters to the effect that:

- the Trust will continue to be treated as a grantor trust for United States federal income tax purposes and such transfer will not cause the LLC to be classified as an association or a publicly traded partnership taxable as a corporation for United States federal income tax purposes;
- following such transfer neither the LLC nor the Trust will be considered an investment company under the 1940 Act; and
- such transfer will not adversely affect the limited liability of the holders of the Trust Preferred Securities.

The rights of the holders of the Trust Preferred Securities, including economic rights, rights to information and voting rights, are set forth in the Trust Agreement and the Trust Act. See "Description of the Trust Securities".

On or prior to the date of issuance of the Trust Preferred Securities, the Trust and the LLC will enter into a services agreement with the Branch (the "Services Agreement"). Under the Services Agreement, the Branch will be obligated, among other things, to provide legal, accounting, tax and other general support services to the Trust and the LLC, to maintain compliance with all pertinent U.S. and Italian local, state and federal laws, and to provide necessary administrative, record-keeping and secretarial services for the LLC and the Trust. As the holder of the LLC Common Securities and the Trust Common Securities, the Branch will pay all the fees and expenses of the LLC and the Trust, including those incurred under the Services Agreement and any taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States or any other domestic taxing authority upon the LLC or the Trust, and all other obligations of the LLC and the Trust (other than with respect to the Trust Securities or the LLC Securities).

The Trust will not publish any financial statements.

The location of the principal executive office of the Trust and the business address of the Regular Trustees is c/o Banca Antoniana Popolare Veneta S.C.p.a. a r.l., New York branch, 17 State Street, New York, New York 10004-1501.

## ANTONVENETA CAPITAL L.L.C. II

Antonveneta Capital L.L.C. II is a limited liability company that was formed on June 19, 2001 under the Delaware Limited Liability Company Act, as amended (the "LLC Act"), pursuant to an initial limited liability company agreement and a certificate of formation filed with the Secretary of State of the State of Delaware. The limited liability company agreement will be amended and restated in its entirety on or about June 27, 2001 (as so amended and restated, the "LLC Agreement") in order to reflect, among other things, the issuance by the LLC of three classes of limited liability company interests: its common securities (the "LLC Common Securities"), its Class A Preferred Securities (the "LLC Class A Preferred Securities") and the LLC Class B Preferred Securities (together with the LLC Common Securities and the LLC Class A Preferred Securities, the "LLC Securities").

The Property Trustee will initially hold 100 per cent. of the issued and outstanding LLC Class B Preferred Securities on behalf of the holders of the Trust Securities. The Bank, acting through the Branch, will initially hold 100 per cent. of the issued and outstanding LLC Common Securities, which will have an initial liquidation preference of €1,000. The Bank acting through the Branch, any other branch of the Bank or, with the prior approval of the Bank of Italy, if then required, one or more subsidiaries of the Bank each of which is deemed to be a "company controlled by the parent company" within the meaning of Rule 3a-5 under the 1940 Act, will always hold 100 per cent. of the issued and outstanding LLC Common Securities. The Bank, acting through the Branch, will initially hold 100 per cent. of the issued and outstanding LLC Class A Preferred Securities, which will have an initial aggregate liquidation preference of €1,000.

The LLC will use the proceeds from the sale of the LLC Securities (the "Initial Proceeds") to purchase the Initial Subordinated Notes. Upon redemption, if any, of the Initial Subordinated Notes, the LLC may reinvest the proceeds in other subordinated indebtedness meeting the reinvestment criteria described under the section entitled "Description of the Initial Subordinated Notes—Substitution of Eligible Borrowers and Reinvestment of Proceeds".

The LLC exists exclusively for the purposes of:

- issuing the LLC Securities;
- investing the proceeds of the LLC Securities in, and holding, the Initial Subordinated Notes;
- upon any maturity or redemption of the Initial Subordinated Notes, reinvesting the proceeds thereof, in and holding other Subordinated Notes, so long as any such reinvestment complies with the reinvestment criteria described under "Description of the Initial Subordinated Notes—Substitution of Eligible Borrowers and Reinvestment of Proceeds"; and
- engaging in only other activities necessary, appropriate, proper, advisable or incidental thereto.

The following table sets forth the capitalization of the LLC as adjusted to reflect the consummation of the transactions described in this Offering Memorandum.

	<u>June 19, 2001</u>	
	<u>Actual</u>	<u>As Adjusted</u>
<b>(In Thousands of Euro)</b>		
<b>Debt</b>		
Total long-term debt	0	0
<b>Securityholders' equity</b>		
LLC Class A Preferred Securities	0	5
LLC Class B Preferred Securities	0	220,000
LLC Common Securities	0	5
<b>Total securityholders' equity</b>	0	220,010
<b>Total capitalization(1)</b>	0	220,010

- (1) There has been no material changes in the capitalization of the LLC since its formation except as disclosed in the above table.

The LLC Agreement prohibits the LLC from conducting certain activities, including but not limited to, incurring indebtedness for borrowed money or issuing any class or series of equity securities other than the LLC Common Securities, the LLC Class A Preferred Securities and the LLC Class B Preferred Securities while any LLC Class B Preferred Securities are outstanding.

For so long as the LLC Class B Preferred Securities remain outstanding, the Bank will covenant pursuant to either the LLC Agreement or pursuant to the Class B Guarantee that:

- 100 per cent. of the LLC Class A Preferred Securities will be held by the Branch or any other branch of the Bank;
- 100 per cent. of the LLC Common Securities will be held by the Bank acting through the Branch, any other branch of the Bank or, with the prior approval of the Bank of Italy, if then required, one or more subsidiaries of the Bank, each of which is deemed to be a "company controlled by the parent company" within the meaning of Rule 3a-5 under the 1940 Act;
- it will not permit, or take any action to cause, the liquidation or winding up or termination of the LLC, unless the Bank is itself in liquidation and, if then required, the approval of the Bank of Italy for such action has been received and all claims under the Subordinated Guarantees shall have been paid to the fullest extent under their terms; and
- it will use its commercially reasonable efforts to ensure that the LLC will not be considered (x) an investment company within the meaning of the 1940 Act or (y) an association or a publicly traded partnership taxable as a corporation for United States federal income tax purposes.

The holders of the LLC Common Securities and the LLC Class A Preferred Securities may transfer such securities (1) in the case of the LLC Common Securities, to another branch of the Bank or to one or more subsidiaries of the Bank, each of which is deemed to be a "company controlled by the parent company" within the meaning of Rule 3a-5 under the 1940 Act and (2) in the case of the LLC Class A Preferred Securities, only to one or more other branches of the Bank, with the prior approval of the Bank of Italy, if then required; *provided* that, in each case, prior to such transfer it has received:

- an opinion of an independent nationally recognized law firm in the United States experienced in such matters to the effect that:



- the LLC will continue to be treated as a partnership for United States federal income tax purposes and such transfer will not cause the LLC to be classified as an association or publicly traded partnership taxable as a corporation for United States federal income tax purposes;
- such transfer will not cause the LLC or the Trust to be considered an investment company under the 1940 Act; and
- such transfer will not adversely affect the limited liability of the holders of the LLC Class B Preferred Securities; and
- written consent from the Bank of Italy, if then required, that such transfer will not cause a Capital Event (as defined below).

The rights of the holders of the LLC Class B Preferred Securities, including economic rights, rights to information and voting rights, are set forth in the LLC Agreement and the LLC Act. See “Description of the LLC Securities—LLC Class B Preferred Securities”.

The LLC’s business and affairs will be conducted by its Board, which will consist initially of three members, one of which will be an independent director (“Independent Director”) who is not and was not at any time an officer, employee, non-independent director or affiliate of the Bank or any of its affiliates and who shall be obliged to act, to the fullest extent permitted by law, exclusively on behalf of the LLC Class B Preferred Securityholders. The initial Independent Director will be Andrew L. Stidd. The other initial members of the Board include Renato Bassi and Constantine I. Manzini, each of whom is an employee of the Branch or the Bank.

All officers and employees of the LLC may also be officers or employees of the Branch, the Bank or any other member of the Group.

On or before the Issue Date, the LLC and the Trust will enter into a Services Agreement with the Branch. See “Antonveneta Capital Trust II”.

The LLC will not publish any financial statements.

The location of the principal executive offices of the LLC and the business address of the Board is c/o Banca Antoniana Popolare Veneta S.C.p.a. a r.l., New York branch, 17 State Street, New York, New York 10004-1501.

## CERTAIN INFORMATION RELATING TO THE BANK

### History

The Bank, a limited liability joint-stock co-operative company (*Società Cooperativa per azioni a responsabilità limitata, S.C.p.a. a r.l.*), is the result of the 1996 merger of two major co-operative banks based in Padua, Banca Antoniana, S.C. a r.l. ("Banca Antoniana") and Banca Popolare Veneta, S.C. a r.l. ("Banca Popolare Veneta"), and of the more recent acquisitions of Banca Nazionale dell'Agricoltura Spa ("BNA") and a number of other smaller banks.

Banca Antoniana was founded in 1893 with the aim, shared by all credit institutions set up as co-operative banks, of providing banking services and loans to small entrepreneurs, mainly farmers, shopkeepers and craftsmen.

Over its history, Banca Antoniana gradually widened the geographical area in which it operated, expanding at first only in the area between Padua and Trieste due to Italian regulations preventing co-operative banks from operating outside a defined area.

In the second half of the 1980s, Banca Antoniana began transforming from a regionally focused bank into a multi-regional bank, as a result of the acquisition of small local banks and of branches of foreign banks, as well as the opening of new branches outside its traditional geographic area of operation. This strategy led to the acquisition in 1994 of Credito Lombardo S.p.A., a bank which mainly operated in the Milan area, from Banca Monte dei Paschi di Siena S.p.A., and the acquisition in 1996 of Banca Popolare di Faenza S.p.A. and Banca Popolare di Polistena S.p.A.

In line with this territorial expansion, Banca Antoniana promoted both product diversification by concluding commercial agreements with major international partners and technological innovation by developing remote banking.

In particular, in the early 1990s, Banca Antoniana concluded agreements with:

- ABN AMRO Bank, N.V. ("ABN AMRO Bank"), an affiliate of one of the Initial Purchasers of the Trust Preferred Securities, in order to widen the offering of international financial tools to customers;
- Lloyd Adriatico S.p.A. ("Lloyd Adriatico"), in order to provide customers with bank insurance products; and
- Visa International, in order to issue credit cards.

Banca Popolare Veneta was founded in 1866 by the Italian economist and politician Luigi Luzzatti with the principal object of providing credit facilities to small local businesses in the Padua area.

Banca Popolare Veneta also experienced significant growth, principally in its home-region, both organic as a result of the opening of new branches and through mergers with small local banks. In 1994, Banca Popolare Veneta established a branch in Luxembourg and in 1995 acquired a controlling stake in an on-shore bank in the Republic of San Marino (Credito Industriale Sammarinese) from the Benetton Group.

From 1996 to 2000, the merged entity, Banca Antoniana Popolare Veneta S.C.p.a. a r.l., concluded a series of mergers and acquisitions with the aim of constructing a universal banking group with a nationwide franchise. In particular, between 1996 and 1999, the Bank acquired a series of local banks, mainly based in southern Italy, 55 operating branches from Banca di Roma Group (41 from Banca di Roma – 14 from BNA), and purchased a controlling interest in Interbanca S.p.A. ("Interbanca") in 1997 and in BNA in 1999. In addition, over this period, the Bank established specialized companies in the fields of bank insurance and asset management, including:

- Antoniana Veneta Popolare Vita S.p.A. ("Antoniana Veneta Popolare Vita"), an insurance company specializing in life insurance policies, jointly owned with Lloyd Adriatico (1996);
- Antonveneta ABN AMRO Sgr S.p.A. ("Antonveneta ABN AMRO Sgr") (formerly AAA Bank S.p.A.), an asset management company, the result of a joint venture with ABN AMRO Bank, an affiliate of one of the Initial Purchasers of the Trust Preferred Securities (1998); and
- Antoniana Veneta Popolare Assicurazioni S.p.A. ("Antoniana Veneta Popolare Assicurazioni"), an insurance company specializing in accident insurance policies, jointly owned with Lloyd Adriatico (2000).

#### **BAPV GROUP DOMESTIC ACQUISITIONS**

<u>Acquired Institution</u>	<u>Year Acquired</u>	<u>Year Merged</u>	<u>Branches in</u>	<u>Principal Area of Operations</u>	<u>Total Assets as of December 31, 2000<sup>(2)</sup></u>	<u>Total Deposits as of December 31, 2000<sup>(2)(3)</sup></u>
(in billions of Lire)						
Credito Lombardo	1994	1997	15	Lombardia	1,670	1,354
Banca Popolare di Faenza S.p.A.	1996	1999	16	Emilia Romagna	564	448
Banca Popolare di Polistena <sup>(4)</sup>	1996	-		Calabria	268	199
Banca Popolare di Palmi <sup>(4)</sup>	1996	-		Calabria	114	81
Banca Regionale Calabrese S.p.A.	-	1999	17	Calabria	437	351
Interbanca S.p.A.	1997	-	11	Nationwide	15,166	10,970
Nuova Banca di Credito di Trieste	1997	1999	5	Friuli Venezia Giulia	687	358
Banca Agricola Etnea	1998	1999	72	Sicilia	1,295	1,147
Banca Popolare Jonica S.p.A.	1998	-	19	Puglia	927	697
Banca Cattolica di Molfetta S.p.A.	1998	-	28	Puglia	1,482	1,081
Banca di Credito Popolare S.p.A.	1999	-	54	Sicilia	3,196	2,099
Banca Nazionale dell'Agricoltura S.p.A.	1999	2000	253	Nationwide	28,626	16,564

(1) For banks merged into BAPV, this figure refers to the number of branches that existed in the year prior to the merger. For all other banks, this figure refers to the current number of branches.

(2) For banks merged into BAPV, information refers to the end of the financial year prior to the year of the merger.

(3) This amount represents each bank's amounts due to customers (item 20 of Financial Statements – Liability Side) and each bank's indebtedness represented by securities (item 30 of Financial Statements – Liability Side).

(4) Banca Popolare di Polistena was merged with Banca Popolare di Palmi in 1999, with the resulting entity being named Banca Regionale Calabrese. The number of branches refer to those of the merged entity, Banca Regionale Calabrese.

### ***The Acquisition of BNA***

BNA, Italy's eighteenth largest bank in terms of total assets as of December 31, 1998, was founded in 1921 by a number of businesses operating in the Italian agricultural sector. It was the premier privately-owned bank in Italy until the beginning of the 1990s, before becoming part of the Banca di Roma Group in 1995.

During its operation as a privately-owned bank, BNA served medium-sized companies, agricultural enterprises and private individuals through a wide range of commercial banking services, including asset management and bank insurance. As of June 30, 1999, BNA operated through a domestic network of 273 branches, mainly based in Central and Northern Italy, and had two branches overseas (London and New York).

In June 1999, the Bank purchased Banca di Roma's controlling stake in BNA (48.73% of the voting capital) and subsequently launched a public offer for the remainder of the capital. By September 1999, its stake had risen to 88.44%. In anticipation of completion of the merger by incorporation, which took effect on October 1, 2000, the banks began integrating their operations in the following ways:

- by the summer of 1999, BNA's domestic branches had started to distribute the BAPV Group's products (most notably POS terminals, life insurance policies, funds and other asset management products);
- by the middle of November 1999, the Bank had set up a new organizational structure chart with new reporting lines (based on those of BAPV); and
- in December 1999, BNA's Puglia and Veneto branches were transferred to the Bank as a small scale test for the merger.

Among the banks acquired by BAPV in recent years, the acquisition of BNA has been by far the most important in terms of size, geographical presence and products portfolio. The acquisition has created the seventh largest Italian banking group, combining the Bank's strong market presence in north-eastern Italy, with BNA's network of branches throughout Italy. In addition, the acquisition of BNA has resulted in an expansion in the Bank's customer base and international profile.

### ***The Acquisition of Interbanca***

In 1997, the Bank acquired BNA's controlling stake (51%) in Interbanca and a call option to permit it to reach a 96% stake by October 1998. Subsequently, the Bank launched a public offer for the remaining 4% of the capital. By the end of 1998, the Bank's stake had risen to 99.57% as a result of the exercise of the option and the public offer.

Interbanca was founded in 1961 by three Italian banks, Banco Ambrosiano S.p.A., Banca d'America e d'Italia S.p.A. and BNA. Since its establishment, Interbanca has developed a sound reputation in Italy as a leading provider of medium and long-term financing and of subsidized credit, in particular for Italian medium-sized companies.

Upon entering the BAPV Group in 1997, Interbanca adopted a strategic role in private equity, investment banking and securities brokerage, led by a new management team with proven experience and a successful track record.

In June 1999, following a successful initial public offering of its shares, Interbanca's shares were listed on the Italian Stock Exchange (*Borsa Italiana*). As of the date of this Offering Memorandum, approximately 30% of the share capital of Interbanca is listed on the Italian Stock Exchange.

Headquartered in Milan, Interbanca is active throughout Italy both directly through its own eleven branches located in major Italian cities, and through the branches of the Group.

Interbanca offers a whole range of specialized corporate services, including private equity and investment banking. Private equity involves Interbanca's direct investment in a company's capital with the aim of supporting its growth. Investment banking is the assistance provided by Interbanca where a company wishes to modify its capital structure. It also offers mergers and acquisitions, corporate finance and initial public offering services, as well as corporate bond structuring and acquisition finance activities.

In late October 1997, Interbanca established Interbanca Gestione Investimenti Sgr S.p.A., an asset management company, of which it owns 100% of the share capital.

### ***Acquisitions of Local Banks***

In the four years since 1996, the Bank has concluded a series of acquisitions of small Italian banks which have a strong local branch network and client base.

The integration of commercial banks into the Bank, while offering cross-selling opportunities for the Group's specialized companies, has, in management's opinion, generally resulted in a significant improvement in their operating efficiency. BAPV's policy has been to discontinue low yielding businesses and redeploy redundant head office personnel to front-office functions, after a period of training.

### **Structure of the BAPV Group**

The Bank is both the parent company of the BAPV Group and also the BAPV Group's largest commercial banking entity. The Bank co-ordinates and monitors the Group's activities and maintains the relationship of the Group with the Bank of Italy.

The BAPV Group is made up of one distribution network and a series of product-companies. It has non-domestic operations in the Republic of San Marino (on-shore subsidiary), London, Luxembourg and New York.

The table below sets forth the current banking activities of the BAPV Group's principal operating subsidiaries:

<b>Commercial Banking</b>	<b>Merchant Banking</b>	<b>Asset Management</b>	<b>Insurance Products</b>
Banca Antoniana Popolare Veneta	Interbanca	Antonveneta ABN AMRO Sgr	Antoniana Veneta Popolare Vita
Banca di Credito Popolare			Antoniana Veneta Popolare Assicurazioni
Banca Cattolica di Molfetta			
Banca Popolare Jonica			

Of the three remaining commercial banks (Banca di Credito Popolare S.p.A., Banca Cattolica di Molfetta S.p.A. and Banca Popolare Jonica S.p.A.), Banca Cattolica and Banca Popolare Jonica are scheduled to merge with the Bank within 2001. Banca di Credito Popolare will be incorporated in 2002.

### ***Duration and Objects***

The duration of the Bank is set by its By-Laws (*Statuto*) until December 31, 2100, unless further extended by the shareholders.

The Bank's objects, as set out in Article 4 of its By-Laws, are the collection of deposits and the extension of credit, in its various forms, with regard to both its own shareholders and third parties.

In compliance with the rules in force, the Bank can perform all permissible banking and financial transactions and services, including the purchase of corporate credit as well as all other instrumental transactions in any way connected with the realization of its corporate object.

In accordance with Italian laws, as the holding company of the BAPV Group, the Bank is empowered to co-ordinate the activities of the other members of the Group, in order to put into effect instructions given by the Bank of Italy.

## **Share Capital and Dividends**

### ***Share Capital***

As of May 12, 2001,<sup>(1)</sup> the issued and outstanding share capital of the Bank was Euro 644,940,768 fully paid-up, divided into ordinary shares with a nominal value of Euro 3 each. The shares are in registered form.

The Bank's capital is variable and is represented by shares, which may be issued without limit, each with a nominal value of Euro 3, or any higher minimum nominal value as may be determined by law. The Board of Directors of the Bank determines, taking into consideration the asset reserves of the Bank, the issue price of any new ordinary shares.

The Bank's capital will be gradually changed to the extent the conversion rights belonging to noteholders of the convertible bonds are exercised.

The shares are indivisible, and no joint registrations, nor fiduciary registrations, are allowed in accordance with the Bank's By-Laws.

Italian law limits the aggregate amount of ordinary shares that can be held by a shareholder to a maximum of 0.50% of the share capital of the Bank. If this maximum is exceeded, the shareholder must sell the amount of shares exceeding the 0.50% limit within one year of notice of the breach of this limitation by the Bank. This ownership limitation does not apply to certain funds and other entities that invest in securities on behalf of groups of investors (*organismi d'investimento collettivo in valori mobiliari*).

### ***Dividends***

According to the Bank's By-Laws, the net profit resulting from the annual accounts is allocated as follows:

- a percentage to the legal reserve, which cannot be less than that established by law; and
- at least 10%, to the extraordinary reserve.

The residual balance is distributed in the following manner:

- a percentage to the shareholders, as resolved in shareholders' meeting in line with a proposal from the Board of Directors;

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(1) Date of the last General Shareholder Meeting.

- 2%, or lower, available to the Board of Directors itself, to be allocated to its members, according to criteria it will establish from time to time (but upon the Board of Directors' proposal, such percentage may be reduced); and
- a percentage, to be determined by the Board of Directors in its absolute discretion, to be allocated for purposes described in Art. 5 of the Bank's By-Laws.

Pursuant to a provision of the Bank's By-Laws, any remaining balance, also upon the Board of Directors' proposal, will be allocated to the establishment or increase of further reserves, as well as of a fund for purchase or redemption of the Bank's shares.

New shareholders fully participate in the dividends distributed by resolution of the shareholders' meeting for the current financial year, irrespective of the date on which they became shareholders.

In order to exercise their capital rights, the entitled persons must present their share certificates together with the coupons indicated by the Bank for the exercise of individual rights, to the Bank or any other appointed person.

Dividends not collected within five years from when they become payable, are assigned to the Bank.

At May 12, 2001<sup>(1)</sup> the amount of the Bank's legal reserve equaled Euro 139,875,539.

Italian law provides that dividends to shareholders may be paid only out of earnings and distributable reserves; therefore, the ability of the Bank to pay dividends may, in the future, be limited. In addition, the declaration, payment and amount of dividends are subject to certain regulatory restrictions relating to capital adequacy. See "—Capital Adequacy" and "The Banking Sector in Italy".

As a general rule, dividends payable on ordinary shares to non-residents of Italy are subject to deduction of Italian withholding tax at the rate of 27%, which may be reduced by virtue of applicable tax treaties. Italian regulations do not contain any specific restrictions on the payment of dividends to non-residents in Italy.

In connection with the payment of dividends to legal entities or to individual shareholders resident in Italy who have elected to treat such dividends as part of their taxable income, Italian law provides that the Bank must supply the Italian taxation authorities with certain information concerning the identity of those shareholders who have made this election.

Dividends per ordinary share for each of the last three years are shown below. These amounts are not necessarily indicative of amounts to be paid with respect to 2001 and subsequent years, if any.

<i>Year ended December 31,</i>	<i>Dividends per ordinary share (in Lire)</i>
1998	750
1999	775
2000	850

## **Management**

### ***Board of Directors***

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(1) Date of the last General Shareholder Meeting.

Pursuant to the Bank's By-Laws, its Board of Directors is composed of 15 to 21 members, elected by the shareholders in general meeting.

The Board of Directors is currently composed of 18 members as follows:

<b>Name</b>	<b>Position</b>	<b>Age</b>	<b>Principal Activity</b>
Dino Marchiorello (*)	Chairman	77	Industrialist
Giorgio De Benedetti (*)	Vice Chairman	71	Industrialist
Antonio Ceola (*)	Vice Chairman	74	Banking
Silvano Pontello (*)	Vice Chairman and CEO of BAPV	64	Banking
Aniceto Vittorio Ranieri	Director	77	Banking
Nicolò Azzollini	Director	60	Chartered Accountant
Gilberto Benetton	Director	60	Industrialist
Romeo Chiarotto	Director	72	Industrialist
Enrico Tomaso Cucchiani	Director	51	Managing Director and CEO of Lloyd Adriatico
Maarten De Jong	Director	56	Banking
Giancarlo Folco	Director	67	Industrialist
Leopoldo Mazzaroli	Director	71	Lawyer and Lecturer of Law
Gilberto Muraro	Director	62	Professor - Holder of the Chair of Science of Finance at Padua University
Francesco Paolo Pagnan (*)	Director	56	Industrialist
Francesca Rizzato	Director	58	Industrialist
Sergio Scanferla (*)	Director	68	Chartered Accountant and Auditor
Francesco Spinelli (*)	Director	53	CEO of ABN AMRO Group for Italy
Rudolf Gijsbert Carel Van den Brink	Director	53	Member of ABN AMRO Managing Board

\*Member of Executive Committee.

Reasons for ineligibility or forfeiture of the office of director include the following: (i) continuous service or an employment relationship with the Bank, except for the Chief Executive Officer, (ii) being a member of the board or other statutory organs of other banking institutions, or (iii) a continuous service relationship with other banking institutions, except in cases of central bodies of the relevant credit sector or of associated companies.



Any member of the Board of Directors who loses the status of shareholder of the Bank entitled to vote will forfeit his office as director as well.

The Board of Directors may also, by an absolute majority of its members, terminate the office of any director who has a continuous conflict of interest with the Bank. Each director holds office for three years, and may be re-elected. The expiry of a director's term of office may also take effect from the date on which the shareholders' meeting closest to the expiry of the three-year term is held in order to approve the Bank's annual financial statements. One third of the members of the Board of Directors are also re-elected in the course of each financial year.

In order to accommodate such renewal, the term of office of the first Board of Directors after the incorporation of the Bank comprised a one-year term for one third of the directors, a two-year term for another third and a three-year term for the others.

If the number of directors is increased, the term of appointment for the new directors may also be established for a period of less than three years.

If one or more directors are absent, during the course of the year, for whatever reason, the Board will appoint another director to the Board of Directors in their place. Any director who is appointed in this way will remain in office until the next shareholders' meeting. If the new director is appointed by the shareholders' meeting as a substitute for the absent Director, he will remain in office until the expiry of the term of the director he replaces.

The Board of Directors appoints a Chairman and one or more Vice Chairmen from among its members, who remain in office until the expiry of their term of office.

In the event of more than one Vice Chairman being appointed, the Board of Directors appoints one of them as the Vice Chairman in charge of deputizing for the Chairman. In the event of the absence or incapacity of this Vice Chairman, his deputizing duties are performed by the Vice Chairman who has held office for the longest period or, where two Vice Chairmen have held office for an equal length of time, by the oldest. If no Vice Chairmen are available, these duties are performed by the oldest member of the Board of Directors.

The Board of Directors may also elect a Secretary each year from amongst its members or they may appoint the General Manager as Secretary or, in his absence, whoever is deputizing for him.

In accordance with the provisions of law and the Bank's By-Laws, the Board of Directors may appoint an Executive Committee of seven members, composed of the Chairman and six Directors, including one or more Vice Chairmen, and determine the limits of their authority.

The Board of Directors also nominates the General Manager. The current General Manager is Dr. Silvano Pontello.

The General Manager, assisted by the other members of the senior management, is responsible for the implementation of resolutions. The General Manager is the head of staff and has the authority to make proposals on matters regarding employment, to promote or demote staff, referring to the Board of Directors for its consequent resolutions; to temporarily suspend employees, immediately informing the Chairman and subsequently referring thereon to the Board of Directors for its consequent resolutions.

The General Manager may be appointed as member of the Board of Directors. If the General Manager is not a member of the Board of Directors, he may only take part in meetings of the Board of Directors and Executive Committee with advisory voting rights and is responsible for day to day management and operations of the Bank acting in accordance with resolutions of the Board of Directors or the Executive Committee. In the event of his absence or incapacity, the General Manager is substituted by the member of the senior management ranked

immediately after him, or, if there are two people ranked equally, according to the decision of the Board of Directors.

### ***Board of Statutory Auditors***

Pursuant to Italian law, in addition to electing the Board of Directors, the Bank's shareholders also elect a Board of Statutory Auditors (*Collegio Sindacale*), comprised of five standing auditors and two alternate auditors, and designate its Chairman, as well as deciding the remuneration of its members.

The following table sets forth the current members of the Board of Statutory Auditors, their respective titles and ages:

<b>Name</b>	<b>Title</b>	<b>Age</b>
Gianni Cagnoni	Chairman and Standing Auditor	54
Giorgio Busa	Standing Auditor	66
Angelo Mocellini	Standing Auditor	79
Fernando Santinello	Standing Auditor	82
Alfredo Schiavo	Standing Auditor	74
Luigi Basso	Alternate Auditor	57
Armando Bordin	Alternate Auditor	75

The current Board of Statutory Auditors was appointed by a meeting of the shareholders held on May 8, 1999.

Statutory Auditors remain in office for three years, and may be re-elected. If the Chairman of the Board of Auditors is absent, the oldest among the standing auditors will take his place until the next shareholders' meeting.

### ***Board of Arbitrators***

The Bank has a Board of Arbitrators (*Collegio di Probiviri*) pursuant to its By-Laws.

The Board of Arbitrators is responsible for resolving by binding decision in accordance with the rules of equity and without the need for any formal procedure all disputes that may arise between the Bank and its shareholders, as well as among shareholders, in relation to the interpretation or application of the By-Laws or any other resolution or decision of the Bank's corporate organs on matters of corporate relationships. Decisions of the Board of Arbitrators are taken by absolute majority of its members.

Furthermore, the Board of Arbitrators, along with the addition of a representative of the candidate shareholder, within thirty days from the request, resolves with binding decisions any disputes relating to the rejection of admission as a shareholder of the Bank.

Every three years, five standing arbitrators and two substitute arbitrators are appointed from among the shareholders at an ordinary shareholders' meeting. The Arbitrators remain in office for three years, may be re-elected and perform their duties free of charge, except for the reimbursement of any expenses.

The Board of Arbitrators elects a Chairman, who is in charge of convening its meetings, whenever necessary, and supervises its operations. Any standing arbitrator who is absent or unable to act is replaced by one of the substitute arbitrators who deputize in order of age and until the next shareholders' meeting.

#### ***Independent Auditors***

Grant Thornton have been appointed to audit the consolidated and non-consolidated annual financial statements of the Bank for the financial half-year ending June 30, 2001. Grant Thornton have audited the annual financial statements of the Bank for the years ended December 31, 1997 through 2000 and have reviewed the consolidated and non-consolidated interim financial statements of the Bank for the six months ended June 30, 1999 and 2000 in accordance with the rules laid down by the Bank of Italy for the supervision of compliance by Italian banks with capital adequacy requirements.

Additionally, certain companies that are members of the Group are audited by other audit firms. Therefore, the Grant Thornton opinion is based also on the auditing results developed by the above-mentioned audit firms.

#### **Business of the BAPV Group**

##### ***Overview***

The BAPV Group is a leading banking group in north-east Italy, with substantial operations in most Italian regions. The BAPV Group traditionally operated in the Veneto region and has its headquarters in Padua. As a result of the banking acquisitions described above under "—History", the Bank rapidly expanded its presence to other Italian regions including Lombardy, Piedmont, Emilia Romagna, Lazio, Sicily, Calabria, Puglia and Campania. The acquisition of BNA in 1999 enabled the Bank to complement its north-eastern and southern Italy based branch network with a national network mainly based in central and north-west Italy.

As of April 30, 2001, the BAPV Group operates through a network of 967 branches, compared to 324 branches in 1996.

Over the past few years, the Bank has developed a strong presence in many business sectors in the Italian financial market. To complement its traditional commercial banking activities, it acquired the merchant bank Interbanca in 1997 and expanded the financial products and services offered by the BAPV Group to its clientele through various fee-generating activities. These activities include payment services, asset management, and insurance products. The Group's core clientele comprises individuals, families, small to medium-sized businesses, companies and public entities.

Following the acquisition of BNA, the Group has become the seventh largest banking Group in Italy in terms of total assets, while the Bank, on a stand-alone basis, has become the largest "popular" bank in Italy.

##### ***Strategy***

The Bank's growth strategy, building on a banking group with a national presence, continues to focus on providing a full range of banking services to its customers.

In particular, the Bank's objectives are:

- Geographical markets  
to defend its strong position in its regional home-market, while improving its nationwide coverage;
- Products  
to widen the range of services it offers in order to increase non-interest sources of income; and
- Customers  
to leverage on customer base and to acquire new clientele in the medium to large corporate sector, small businesses, professionals and individuals, through the supply of a full range of financial products and services.

Further expansion will be based on setting up its own branches (as opposed to purchasing more banks or banks' networks), in order to fine-tune geographical expansion to fill in existing gaps.

The goal of 1200 branches will be reached by 2002.

In anticipation of its reaching the desired network size, a new phase in the Bank's history now opens, with profitability moving center-stage among Antonveneta's priorities.

The main drivers of profitability growth will be:

- revenue and cost synergies, deriving from the full integration of the incorporated banks
- business expansion in non-traditional geographical areas
- active cross- and up-selling policies

The Group's business growth, as well as prospects of further expansion, means that the Group will have to raise equity from sources other than its current shareholders. The Bank is planning for the listing of its shares on the Italian Stock Exchange in the second half of 2001, to coincide with the change of its legal status from a co-operative bank to a joint stock company.

### *Activities*

The BAPV Group provides a range of Italian banking services based on the idea of the universal banking model. The Group's core activities consist of commercial banking, payment services, retail banking, corporate finance and services, treasury and securities dealing and brokerage activities, asset management and *bancassurance*.

### *Commercial Banking*

The commercial banking activities of the BAPV Group are conducted by the Bank and by Banca Popolare Jonica, Banca Cattolica di Molfetta and Banca di Credito Popolare, all three of which are based in southern Italy.

The Group's lending activities are primarily the provision of traditional commercial banking services to individuals, small- and medium-sized businesses and public entities, including overdrafts, loans and advances, portfolio discounts, mortgages, import-export financing, consumer credit and repurchase agreement operations. Direct deposit collection from customers includes current accounts, saving deposit accounts, issuance of CDs and bond obligations.

The following table provides market share information with respect to the principal geographic regions in which the Bank operates its commercial banking activities:

	Loans		Deposits(*)	
	September 30, 2000	December 31, 1999	September 30, 2000	December 31, 1999
<b>Northwest Italy</b>	<b>1.1</b>	<b>1.2</b>	<b>1.7</b>	<b>1.4</b>
Piedmont	1.7	1.7	1.0	1.0
Liguria	1.2	0.9	1.0	1.0
Lombardy	1.0	1.0	2.1	1.5
<b>Northeast Italy</b>	<b>5.9</b>	<b>6.0</b>	<b>6.0</b>	<b>6.2</b>
Veneto	11.5	12.2	10.4	11.1
Friuli-Venezia Giulia	5.3	5.3	8.4	7.4
Emilia-Romagna	2.2	2.2	2.6	2.9
<b>Central Italy</b>	<b>2.0</b>	<b>1.9</b>	<b>2.1</b>	<b>2.4</b>
Tuscany	0.7	0.7	0.5	0.5
Marche	3.7	4.0	4.4	4.6
Lazio	2.6	2.3	2.7	3.3
<b>South Italy and Islands</b>	<b>2.3</b>	<b>1.8</b>	<b>1.5</b>	<b>1.4</b>
Molise	0.5	0.7	0.6	0.6
Campania	2.5	2.0	1.8	1.8
Puglia	2.6	2.4	1.6	1.6
Calabria	3.2	2.3	2.6	2.3
Sicily	3.4	2.6	2.0	1.8
<b>Total Italy</b>	<b>2.6</b>	<b>2.5</b>	<b>2.7</b>	<b>2.6</b>

Source: Bank of Italy, Statistical Bulletin, December 2000

(\*) "deposits" considered in this table include customers' deposits plus certificates of deposit.

#### *Retail Banking*

The Bank and the other commercial banks of the Group provide a full range of traditional retail banking products and services.

The Bank promotes the sale of various current-account based packages tailored to suit specific customer sectors.

These packages include *Conto Pratico Famiglia*, a line of banking service packages specifically designed for families; *Conto D*, targeted to women; *Conto Anni Nuovi*, designed specifically for retired people, which allows for the direct crediting of pension payments to current accounts, insurance policies and allowances for hospital stays; and the Group's *Conto Brio*, *Conto under 18* and *OK Conto* line of banking service packages specifically designed for younger people up to 14 years of age, 15- to 18-year olds and 18- to 25-year olds, respectively.

The Bank has also recently developed Home Banking Services. At year end 2000, BAPV was linked to about 20,000 customers for home-banking services (e-banking and trading on line).

The Bank's e-banking services ("e-banker") include:

- information services (with regard to current accounts, security portfolios and credit cards); and
- disposals (payments services and recharge of phone cards).

The Bank's on-line trading services ("e-trader") include:

- stock-exchange transactions (including after-hours dealing); and
- access to real-time stock market floatations and financial information.

#### *Payment Services*

##### *Point of sale terminals*

At year end 2000, the BAPV Group operated more than 30,000 point of sale terminals (POS) located in shops, restaurants and other commercial ventures where debit and credit cards can be used.

The Group's POS payment services are operated through the network of Consorzio Triveneto, a contractor that provides hardware and support services for payment systems to a number of participating banks.

Management expects that the possibilities for the growth of the Bank's market share in this field are expected to be significantly enhanced following the implementation in 2001 of microprocessor cards.

The project of "migration to microprocessor cards" sees Antonveneta highly involved, as it takes part to testing activities playing the double role of issuer and acquirer.

The first bank in Italy and one of the first in Europe, Antonveneta obtained in October 2000 the certification of EMV (Europay Mastercard Visa) acquirer. This certification will allow use of microprocessor cards on Antonveneta's POS and will allow more services made available and better security standards. This will open the way to important developments in world-wide payment services through POS, ATM, Internet and GSM.

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

The Bank has a direct agreement with VISA and MasterCard allowing the Bank to issue credit cards directly.

Its diversified offer of credit cards and related services includes:

- Visa Electron. This Card has been used for the launching of co-branded cards, such as the INTERCARD (the first "affinity" card in Italy for a football team), the VICENZA CARD, the CONAD Card, the Alpini Card etc.
- Visa Business. It enables Global Banking Service linked companies to have a daily accounting for payments made with single cards. The customer-company can thus control purchases of personnel using company-cards.
- Visa Gold for customers with high expense necessities.

As of December 31, 2000, the Bank had issued over 148,000 credit cards and 318,000 debit cards.

### *Corporate Finance and Services*

The Bank and the other commercial banks of the Group provide a full range of corporate banking products and services to corporate customers, primarily aimed at local small- and medium-sized companies operating in various industrial sectors.

Corporate banking services provided by the Group's commercial banks include overdraft facilities, bills of exchange and receivables discounting, export/import financing, advances on contracts and invoices, acceptance of deposits and electronic payment systems.

The Group's investment bank, Interbanca, acquired in 1997 and listed on the Italian Stock Exchange, operates throughout Italy, providing medium- and long-term financing for domestic and foreign businesses and investment banking services. It is also engaged in other investment banking activities, and holds a range of equity investments. Interbanca has eleven branches in Italy located in major Italian centers and has its headquarters in Milan.

The BAPV Group's corporate customer base varies according to the industry. The Bank's loan portfolio is comprised principally of loans extended to companies operating in industries such as the wholesale and retail trade, construction, agricultural products, textiles, footwear and clothing and agricultural and industrial machinery.

With respect to banking services to corporate customers, the Bank's aim has been to develop both product and channel diversification, as well as technological innovation in the range of services it offers.

The Bank's corporate services include also:

#### *Remote Banking*

At year end 2000, the Bank was linked to about 18,000 businesses for remote banking services. Launched for the first time in 1992, the Bank's Remote Banking Service was replaced over the course of 1998 by the Bank's wider Global Banking Service.

The Global Banking Service enables corporate customers to receive daily information about their current accounts, and to manage the payment and receipt of funds in Italy as well as abroad.

#### *European Network Account (ENA)*

In collaboration with ABN AMRO Bank, a telematic link has been set up enabling the Bank's customers to operate directly euro and foreign currency current accounts held by ABN AMRO Bank. The service is targeted at corporate customers, which already have current accounts opened in member states of the EMU.

Management believes that this service offers customers a number of advantages, including:

- (i) a single procedure for the opening of local current accounts in other countries covered by the system;
- (ii) a high quality service;
- (iii) competitive pricing and uniformity of prices between countries; and
- (iv) a single electronic platform "global banking".

#### *E-Commerce.*

The Bank has been operating in the field of on-line payment systems since 1998.

At year end 2000, about 1,000 companies were linked to the Bank's e-commerce services, with the number of transactions narrowing to LIT 70 billion. The Bank's e-commerce customers include leading Italian corporate groups.

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

**Treasury Activities.** The Bank's treasury activities are carried out from the dealing room at the Group's office in Rome and from its London and New York dealing rooms. The Bank is active in the interbank market and in derivatives, the latter mainly for hedging purposes. The Board of Directors has established a series of limits to regulate risk positions.

**Securities Dealing and Brokerage Activities.** Securities dealing and brokerage activities are also carried out by the securities departments at the Group's main headquarters in Padua and its London and New York dealing rooms.

The Bank is a member of several Italian regulated financial markets such as the *Mercato Telematico dei Titoli di Stato* (the screen-based market for Italian government securities), and the *MIF-Mercato Italiano dei Futures* (the Italian futures exchange).

#### *Asset Management*

The BAPV Group's asset management activities are carried out by Antonveneta ABN AMRO Sgr.

Total assets managed by Antonveneta ABN AMRO Sgr amounted to LIT 8,228 billion as of December 31, 2000.

In year 2000, Antonveneta ABN AMRO Sgr established in Ireland AAA Investment Funds Ltd. As of December 31, 2000 assets managed by AAA Investment Funds Ltd. amounted to LIT 619 billion.

Off-balance sheet deposits of the BAPV Group also include LIT 5,209 billion managed by Romagest, the fund management company of the Banca di Roma Group, in which the Bank inherited a 20% stake when it acquired BNA.

The Bank's network also distributes the mutual funds of Arca, a fund-management company jointly held by "popular banks". As of December 31, 2000 Arca funds amounted to LIT 4,784 billion.

#### *Bancassurance*

In 1996, the Bank established Antoniana Veneta Popolare Vita, an insurance company specializing in life insurance policies, jointly owned with Lloyd Adriatico. Before the 1996 merger that formed the Bank, Banca Antoniana already had a commercial agreement with Lloyd Adriatico for the distribution of bank insurance products.

In addition to traditional life insurance policies, Antoniana Veneta Popolare Vita has developed innovative products, such as "Unit Linked" and "Index Linked" policies, with yields related to the performance of mutual funds or of baskets of securities.

Early in 2000, the Bank, together with Lloyd Adriatico, established Antoniana Veneta Popolare Assicurazioni to complete its product range with regard to accident insurance products.



The total amount of the gross insurance premiums realized by the Bank for the year ended December 31, 2000 was LIT 1.367 billion.

#### *Distribution Network*

The BAPV Group's products and services are distributed through its branch network of commercial banks.

From 1996 to 1999, the BAPV Group significantly increased its number of branches. As of December 31, 1999, BAPV on a stand alone basis had 591 branches. After consummation of the merger with BNA on October 1, 2000, the number of such branches rose to 845. This expansion was achieved mainly as a result of the acquisition of a number of small- and medium-sized Italian banks, as described above under "—History".

The table below shows the geographical distribution of the Bank's consolidated branch network as of December 31, 2000:

<b>BAPV Group Branches as of December 31, 2000</b>	
<b>REGION</b>	<b>PERCENTAGE</b>
<b>Northwest Italy</b>	<b>15.2</b>
Piemonte	3.7
Liguria	1
Lombardia	10.5
<b>Northeast Italy</b>	<b>47.3</b>
Veneto	30.5
Friuli-Venezia Giulia	6.7
Emilia-Romagna	10.1
<b>Central Italy</b>	<b>12.4</b>
Tuscany	1.7
Marche	2.8
Lazio	7.9
<b>South Italy</b>	<b>11.7</b>
Abruzzo	0.1
Molise	0.1
Campania	2.5
Puglia	6.6
Basilicata	0.1
Calabria	2.3
<b>Islands</b>	<b>13.4</b>
Sicilia	13.4

### *Development of New Distribution Channels.*

In July 2000, the Bank started on a project with ABN AMRO Bank, Lloyd Adriatico and Telecom Italia S.p.A. for a retail customer-oriented virtual bank.

BAPV's internet banking business model is aimed at adding a virtual franchise specialized in liability-side and asset-management products to the Group's existing national network of branches.

The virtual franchise will provide the Bank's customers (as well as the general public) with products to complement those on sale at the Bank's branch network.

Management believes that this business model should avoid potential negative effects of the virtual bank entering into direct competition and taking customers from the Group's territorial network of branches.

### *Marketing Research*

A bank's internal marketing group based at the Group's headquarters in Padua develops new banking products and services for the BAPV Group's retail and corporate customers.

Market research activities are carried out by the Group's research department which is charged with monitoring new legislation, corporate behavior and market trends.

### **Capital Adequacy**

The Bank of Italy has adopted risk-based capital ratios ("Capital Ratios") pursuant to European Community ("EC") capital adequacy directives. Italy's current capital requirements are in many respects similar to 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 Capital Ratios compare core (Tier I) and supplemental (Tier II) capital requirements to banks' assets and certain off-balance sheet items, weighted according to risks ("Risk-Weighted Assets"). See "The Banking Sector in Italy—Italian Banking Regulation—Risk-Based Capital Requirements, Solvency Ratios and Large Exposure Limitations".

The Bank calculates and reports its Capital Ratios on a consolidated basis. In accordance with the Bank of Italy regulations, the Bank is required to maintain a total Capital Ratio of at least 8%.

The following table shows the Group's Tier I and Tier II capital levels and the relative ratios as of December 31, 1998, 1999 and 2000.

	As of December 31,		
	1998	1999	2000
	<i>(in thousands of Euro)</i>		
Tier I Capital	939.0	1,280.0	1,581.7
Tier II Capital	477.1	1,280.0	1,559.9
Less: Financial Investments	9.2	18.1	15.5
Total ("Own Funds")	1,406.9	2,541.9	3,126.1
Capital Ratios:			

"Tier I Capital Ratio" (Tier I Capital to Risk-Weighted Assets)	5.51	4.30	4.42
"Total Capital Ratio" (Total Capital to Risk-Weighted Assets)	8.25	8.55	8.74

Figures in this table are presented in thousands of Euro, rounded to one decimal point. Accordingly, the totals and/or subtotals of each column of figures may not be equal to the totals and/or subtotals of the individual items as shown, due to roundings.

#### **Liabilities Structure and Capitalization of the Bank**

The following table sets out the consolidated capitalization of the Bank as of December 31, 1998, 1999 and 2000. This information should be read in conjunction with, and is qualified in its entirety by reference to, the Bank's Audited Consolidated Financial Statements, which are incorporated by reference into this Offering Memorandum, as well as the other financial information on the Bank and the Group contained or incorporated by reference herein. Except as otherwise disclosed in this Offering Memorandum, there has been no material adverse change in the capitalization of the Bank since December 31, 2000.

Figures in this table are presented in thousands of euros, rounded to one decimal point. Accordingly, the totals and/or subtotals of each column of figures may not be equal to the totals and/or subtotals of the individual items as shown, due to roundings.

	As of December 31,		
	1998	1999	2000
	(in thousands of Euro)		
<b>Short-Term Debt</b>			
Sums Owed to Banks	2,018,565.6	6,300,779.8	6,162,174.2
Sums Owed to Customers	7,864,569.5	14,821,176.3	15,670,227.8
Liabilities Represented by Securities	3,393,000.5	5,146,016.3	5,609,429.0
Subordinated Loans	495,573.4	328,576.1	121,785.7
<b>Total Short-Term Debt</b>	<b>13,771,709.0</b>	<b>26,596,548.5</b>	<b>27,563,616.6</b>
<b>Medium-Term Debt</b>			
Sums Owed to Banks	388,013.0	125,438.1	557,223.4
Sums Owed to Customers	56,302.1	41,807.2	18,072.4
Liabilities Represented by Securities	4,049,456.9	5,742,162.5	5,581,774.8
Subordinated Loans	64,815.3	483,194.5	624,029.2
<b>Total Medium-Term Debt</b>	<b>4,558,587.4</b>	<b>6,392,602.3</b>	<b>6,781,099.7</b>
<b>Long-Term Debt</b>			
Sums Owed to Banks	28,558.0	22,534.0	24,235.3
Sums Owed to Customers	-	20,561.7	-
Liabilities Represented by Securities	372,914.4	683,017.9	874,983.9
Subordinated Loans	37,184.9	965,044.1	958,488.2
<b>Total Long-Term Debt</b>	<b>438,657.3</b>	<b>1,691,157.7</b>	<b>1,857,707.3</b>
<b>Unspecified-Maturity Debt</b>			
Sums Owed to Banks	1,985.8	-	7,475.2
Sums Owed to Customers	38,208.0	-	-
Liabilities Represented by Securities	3,271.8	3,355.9	2,155.7
Subordinated Loans	-	-	-
<b>Total Unspecified-Maturity Debt</b>	<b>43,465.5</b>	<b>3,355.9</b>	<b>9,630.9</b>
<b>Minority Interest</b>	<b>56,532.4</b>	<b>403,952.4</b>	<b>271,815.4</b>
<b>Shareholders' Equity</b>			
Share Capital, Nominal Value LIT 5,000 each	364,688.3	492,525.3	552,733.9
Share Premium Account	522,450.9	1,159,457.1	1,385,599.6
General Banking Risks Fund	9,854.5	9,854.5	25,822.8
Legal and Other Reserves	335,437.7	366,328.0	388,161.8
Revaluation Reserves	71,907.8	82,671.8	72,409.3
Net Profit brought forward	4,955.4	6,191.8	6,191.8
Income for the Period	84,510.9	73,959.2	201,486.4
Negative Goodwill Arising on Consolidation	-	-	-
<b>Shareholders' Equity</b>	<b>1,393,805.6</b>	<b>2,190,987.8</b>	<b>2,632,405.6</b>

## Competition

According to a ranking by the financial press (*Milano Finanza*, "L'Atlante delle Banche Leader", October 2000), the BAPV Group was one of the top ten banking groups in Italy in terms of administered funds.

Management believes that the Group has a very strong competitive position in one of the richest macro-regions in Italy (the north-east), where it operates a deeply rooted and extensive network of 453 branches. According to Bank of Italy statistics, the Group had a market share of the banking system branches of 6.0% in north-east Italy with a peak of 9.9% in the Veneto region as of December 31, 2000). Following the acquisition of a number of local banks, the Group also has a significant presence in Sicily with a market share of banking system branches equal to 7.8% as of December 31, 2000.

## Risk Management

Risk management policy for the BAPV Group is designed to govern the principal categories of risk inherent in the Bank's business (credit risk and market risk, which is defined as liquidity, interest rate and currency risks).

The Bank sets appropriate limits, and continually monitors these risks.

The guidelines for the BAPV Group's overall risk management are established by the Board of Directors.

### *Credit Risk*

Credit risk is defined as the risk of a counterparty failing to meet its obligation relating to any moneys owed to the bank.

Credit risk is managed:

- *ex ante*: through a combination of procedures, scoring and rating criteria requiring a predetermined workflow involving varying levels of sanctioning seniority; and
- *ex post*: through the continuous monitoring of exposures and the identification of remedial action.

The Bank has a detailed set of procedures for credit approval based on the creditworthiness of the borrower and certain other factors. Loans of up to LIT 1,800 million are approved at branch office level, loans from LIT 1,800 million to 4,300 million must be jointly approved by the head of the risk management area and the head of the credit risk management division, loans from LIT 4,300 million to LIT 20,000 million must be approved by the head office committee, loans from LIT 20,000 million to LIT 60,000 million must be jointly approved by the CEO and the Credit Committee, loans from LIT 60,000 million to LIT 150,000 million must be approved by the Executive Committee, and loans of over LIT 150,000 million must be approved by the Board of Directors.

The segregation of commercial and credit analysis functions is being introduced across the Bank with the credit functions reporting to the central Credit Departments at the Head Office located in each main branch across the network.

The increase in geographical coverage and in size of the BAPV Group after the acquisition of BNA, and the need to integrate the different procedures and evaluation criteria of the two banks, prompted the setting up of a new credit analysis and risk management functions to coincide with the timing of the acquisition. This was done with a view to retaining the banks' traditional speed in their credit approval processes, coupled with adequate safety standards.

The new department, called *Direzione Gestione Rischi*, is structured on the credit risk management side as follows:

- *Servizio Gestione Rischi di Credito*, in charge of corporate credit analysis; and
- *Servizio Controllo Portafoglio Crediti*, in charge of the continuous monitoring of the Bank's credit risk portfolio based on early warning indicators and on the classification of assets to the non-performing assets category.

The other departments at Group's headquarters that are involved in counterparty risk analysis are:

- *Direzione Crediti*, in charge of consumer loans; and
- *Direzione Pianificazione e Relazioni con il Mercato*, in charge of bank credit and country risk analysis.

### ***Market Risk***

Market risk can be defined as the risk of loss resulting from adverse changes in the financial markets. The Bank's lending and securities dealing and brokerage activities are exposed to risks arising from diverse factors affecting market trends and volatility. These risks materialize whenever the Bank's aggregate assets and liabilities are mismatched, relative to each other, in terms of maturity, interest rate, currency of denomination, or when the Bank holds positions in equities, gold or other commodities.

Liquidity risk stands out among the Bank's market risks, as the risk of not being continuously able to raise funds in order to meet payment obligations on time.

The primary goal of the BAPV Group's risk management policy is to regulate the aggregate mismatching of the Bank under these profiles, with a view to minimizing potential losses that could arise from adverse changes in market conditions.

In addition, liquidity management seeks to ensure that, even under adverse conditions, the BAPV Group has access to the funds necessary to cover maturing liabilities.

In this respect, the maturity mismatch limits set by the Bank of Italy are fully complied with, while the Bank considers its retail deposit base an adequate funding source.

### ***BAPV Functions Involved***

Following the Bank's recent Head Office reorganization, the Group's market risks are supervised by the Asset and Liability Management Committee (*Comitato di Investimento*) (the "ALM Committee"), whose members are the CEO and the divisional heads of risk management, finance, administration and planning. The latter department acts as secretariat to the ALM Committee.

The ALM Committee is in charge of managing and monitoring the aggregate liquidity, interest rate and foreign exchange exposure of the Group and of determining any remedial action that should be taken.

The modeling and maintenance of Value At Risk "VAR"-type analysis and other instruments, as well as their continuous application to trading positions, is managed by the specialized market risk management division of the *Direzione Gestione Rischi*.

Specific operating limits are set for the operators in the dealing rooms at the Group's headquarters, as well as in London and New York. Compliance with predefined limits is monitored by the Group's audit department.

At the individual company level, risk exposure is also managed by risk management units within each of the BAPV Group's members.

Other units of the BAPV Group, such as the administration and the corporate affairs department, have been charged with the responsibility for monitoring certain other operational risks.

#### *BAPV Market Risk Management Instruments*

On the market risk side, *Direzione Gestione Rischi* is concentrating its efforts on the development of instruments aimed at measuring and monitoring risks associated with the Bank's trading activities.

A VAR system is being introduced that will allow the BAPV Group to estimate, with a confidence level of 95.0%, the amount of potential losses that might arise from reasonable adverse market movements if the BAPV Group's treasury operations were to remain unchanged over a time period of five trading days. The Bank generally conducts a VAR analysis every ten days.

In addition, the BAPV Group is introducing an integrated financial database monitoring platform, which will allow for real time assessment of risk exposure of any position taken in the financial markets.

#### *BAPV Market Risk Operational Limits*

Limits set by the Board of Directors for operators in the Group's dealing rooms refer to: (i) trading portfolios, defined so as to include equities and other negotiable equity-content instruments, bonds, government securities and other negotiable debt instruments, mutual funds, money market negotiable instruments, futures, swaps and options contracts on financial instruments, interest rate, foreign exchange and commodities, any index-linked instruments relating to all of the preceding items and any combination of underlying and derivatives of all of the preceding items; (ii) euro treasury; (iii) foreign currencies treasury; and (iv) foreign exchange dealing.

Such limits cover the following types of risk:

- specific counterparty risk (various levels of limits — both overall and for single issuers — are set, as a function of the different counterparty categories ranging from OECD governments to non-investment grade);
- interest rate risk:
  - trading portfolio (limits are defined as 10-year futures equivalent applied to modified duration, delta hedging, etc.); and
  - euro and other currency deposits (limits are defined as 1-year futures equivalent applied to modified duration, delta hedging, etc.);
- equities and equity derivatives risk (limits are set both overall and for a single issuer);
- foreign exchange risk (a euro-denominated limit is set on the net foreign exchange position, defined as the bigger of the long and short positions of each currency translated into euro; and net positions in currencies other than the U.S. dollar, Pound Sterling, Japanese Yen and Swiss Franc cannot exceed 25% of the overall net position limit as defined above); and

- primary market transactions (limits are set for primary market underwriting of equity and bond issues by companies listed or being listed, as well as by government agencies).

In addition to the limits system described, a monthly stop-loss limit is in force of €25 million (extendable, under certain conditions to €50 million) for trading portfolios and of €6 million for treasury activities.

### Securitization Transactions

During the second half of 2000 the Bank finalized two securitization transactions.

The first transaction regarded non-performing loans for a net amount of Euro 412 million; the second one involved the yielding of securities included in the trading portfolio for a total of Euro 748 million of nominal value.

While both operations made free available financial resources, the securitization of non-performing loans pursued in particular the following objectives:

- the enhancement of the credit quality of the Bank, proved by the improvement of the NPL/loans ratio, which declined from the pro-forma 7.5% in 1999 to 4.9% at the end of 2000
- the optimization of the management process of non-performing loans.

With this view, in May 2001, the Bank carried out a second securitization of non-performing loans for a net amount of Euro 995 million.

This transaction has dramatically improved the asset quality of the bank, with the NPL/loans ratio dropping from 4.9% to 1.6%, and will allow management to focus on the management of the small remaining NPL portfolio and the continuing origination of good quality loans.

### Employees

The following table sets out the average number of employees of the BAPV Group, by category with respect to the years 1998, 1999 and 2000.

	1998	1999	2000
Executives	72	112	114
Officers	802	1,690	1,762
Other Employees	4,752	9,389	9,203
<b>Total</b>	<b>5,626</b>	<b>11,191</b>	<b>11,079</b>

### Legal Proceedings

The Group is subject to certain claims and is a party to a number of legal proceedings relating to the normal course of its business. Although it is difficult to determine the outcome of such claims and proceedings with certainty, the Bank believes that liabilities related to such claims and proceedings are unlikely to have, in the aggregate, a material adverse effect on its consolidated financial condition or results of operations.



## THE BANKING SECTOR IN ITALY

### 1930 to 1990

The Banking Act of 1936 divided Italian banks into two broad categories: "Ordinary Credit Institutions" and "Special Credit Institutions". Ordinary Credit Institutions were retail banking institutions that financed demand deposits in individual accounts, principally providing short-term loans with maturities of up to 18 months. Special Credit Institutions provided medium- and long-term credit and mortgage loans financed predominantly in the medium- and long-term debt markets. Ordinary Credit Institutions and Special Credit Institutions were further divided into those entities organized under public law and those in corporate form, the shares of which were primarily owned in whole or in part by the Government or by state-owned holding groups. Even in 1992, the substantial majority of total bank assets in Italy were owned or controlled, directly or indirectly, by the Treasury and local authorities.

From 1990, new laws began to be introduced which have altered the basic structure of the Italian banking industry and introduced a substantial measure of liberalization.

### The New Laws

Pursuant to the provisions of Law No. 218 of July 30, 1990 (the "Amato Law"), most of the Ordinary Credit Institutions and Special Credit Institutions organized under public law were transformed into joint stock companies. Consequently, most Italian banks are now either (a) banks in the legal form of joint stock companies owned directly or indirectly by the private sector or by public law foundations (mostly controlled by local authorities), (b) co-operative banks (*banche popolari* and *banche di credito cooperative*), or (c) institutions that provide centralized management services to other, usually small-sized, banks.

Under Legislative Decree No. 481 of December 14, 1992, the distinction between Ordinary Credit Institutions and Special Credit Institutions was formally eliminated. Banking activities may now be carried on by a single category of banks, which may collect demand and savings deposits from the public, issue notes and extend medium- and long-term credit, whether subsidized or not, subject to regulations issued by the Bank of Italy. Subject to their by-laws and to the laws on securities dealing and provision of other financial services, credit institutions may engage in all banking and other activities that are subject to mutual recognition under the EC Second Banking Directive.

Upon its entry into effect on January 1, 1994, the Consolidated Banking Law repealed and replaced, among others, the Banking Act of 1936 and Legislative Decree No. 481. Among the provisions of the Consolidated Banking Law are new rules concerning the role of the supervisory authorities, investment in banks, the definition of banking and related activities, the authorization of banking activities, the scope of banking supervision (in particular on a consolidated basis), special bankruptcy procedures for banks and the supervision of financial companies.

Finally, the Directive of the Treasury Minister dated November 18, 1994 (the "Dini Directive") further encourages the structural changes begun by the Amato Law by requiring Italian bank foundations to diversify their holdings within five years of its enactment in order to ensure that either (i) projected costs associated with the foundations' purposes, as defined in the by-laws, are more than 50 per cent. financed by income other than that generated by shares of the entity created from the Amato Law conversion or (ii) no more than 50 per cent. of the foundations' equity is invested in shares of the entity created from the Amato Law conversion.

The result of these new laws is a shift in the regulatory framework applicable to Italian banks. The prior system was based on a relatively precise definition of the activities that the various types of banking intermediaries identified by the legislation could undertake and on a strict regime of prior authorization of the structural and business decisions of banks and credit institutions.

In contrast, the current system emphasizes the freedom of banks to decide which banking and related financial activities to carry out and which structures to adopt, subject only to generally applicable prudential rules and the bank's own by-laws. The framework of Italian banking regulation now substantially mirrors the EC Second Banking Directive.

### **Italian Banking Regulatory Bodies**

#### ***The Comitato Interministeriale per il Credito ed il Risparmio ("CICR")***

The CICR is composed of the Treasury Minister, who acts as chairman, and certain other economic Ministers of the Italian Government. The Governor of the Bank of Italy, although he is not a member of the CICR and does not have the right to vote at such meetings, attends all meetings of the CICR.

The CICR has general powers in the regulation of the banking sector. It establishes the policies that the Bank of Italy must follow when adopting regulations applicable to banks. The Treasury Ministry may, in cases of urgency, adopt measures that are generally within the sphere of CICR's powers and may also issue decrees that impose administrative sanctions against banks and their managers and place banks in compulsory liquidation (*liquidazione coatta amministrativa*) or extraordinary management (*amministrazione straordinaria*).

#### ***The Bank of Italy***

The Bank of Italy implements the policies laid down by the CICR by adopting regulations applicable to banks, including regulations and guidelines (*istruzioni di vigilanza*) governing capital adequacy, risk exposure, participation, administrative and accounting organization and internal controls. The Bank of Italy also issues regulations in other fields (such as transparency in banking and financial operations of credit institutions).

Moreover, the Bank of Italy supervises banks, through its own auditing body, by granting authorizations and examining the reports that banks are required to file with the Bank of Italy on a regular basis. The main supervisory powers of the Bank of Italy include review of bank financial statements and other statistical data, prior review of by-law amendments, bank inspections and the verification of capital ratios, reserve requirements and exposure limits for individual banks.

The Bank of Italy carries out audits of all banks through its supervisory staff of bank examiners. Audits may be ordinary or special (which are directed towards specific aspects of banking activity). Matters covered by an examination include the accuracy of reported data, compliance with banking laws and regulations and conformity with the bank's own by-laws. Specific areas of inquiry include compliance with exposure limits.

The Bank of Italy requires all banks to report quarterly statistical information related to all components of their consolidated and non-consolidated balance sheets. Other data reviewed by the Bank of Italy include minutes of meetings, proposals and findings of each bank's board of auditors and reserve reports.

In addition to its supervisory and regulatory role, the Bank of Italy is the lender of last resort for Italian banks and banker to the Italian Treasury and it is generally in charge of implementing monetary policies. It also operates services for the banking industry as a whole, most notably the *Centrale dei Rischi*, a central information database on credit risk.

The Bank of Italy retains some responsibility for monitoring Italian money supply. In order to control money supply, the Bank of Italy principally uses open-market operations in Italian Government securities, currency and securities repurchase agreements, as well as exercising its power to fix the interest rate on fixed term advances. By injecting or absorbing funds through the purchase and sale, respectively, of Italian Government securities, providing Italian banks with ordinary and extraordinary advances and setting the interest rates at which such advances are available, the Bank of Italy may increase or decrease liquidity in the banking system.

The Bank of Italy also utilizes compulsory reserves to control money supply. Following the introduction of the euro, from January 1, 1999, the European System of Central Banks (the "ESCB") is responsible for monetary policy in participating member states and, in particular, for monitoring interest rates. The ESCB consists of the European Central Bank ("ECB") and the central banks of the EU member states and its decisions are implemented by the central banks of the member states.

Monetary and fiscal policies have had a significant effect on the operations and profitability of Italian banks in the past, including BAPV, and are expected to do so in the future.

## **Italian Banking Regulation**

### ***Reserve Requirements***

The reserve requirement is one of the instruments of monetary policy available to the ESCB. The compulsory reserve requirement allows the ESCB to stabilize interest rates on the monetary market and to monitor the liquidity needs of the entire system. The amount of the compulsory reserve is determined by applying the ratio determined by the ECB.

Each Italian bank must deposit, in a compulsory reserve account with the Bank of Italy, an interest-bearing reserve in respect of the aggregate of its liabilities (other than liabilities to the ECB, the central banks of European Union ("EU") member states which are participating in the third phase of European Monetary Union and other banks subject to the compulsory reserve requirement) represented by (i) overnight deposits, (ii) fixed-term deposits with a stated maturity of less than two years, (iii) deposits refundable upon notice, (iv) fixed-term debt securities with a stated maturity not exceeding two years, and (v) money market instruments, denominated both in lire and in foreign currency (the "Aggregate Reserve Amount"). The reserve ratio is currently 2 per cent. of the Aggregate Reserve Amount. On the amount so calculated a fixed deduction of €100,000 is allowed. The reserve is adjusted monthly (on the basis of the same ratio) as a result of increases or decreases in the Aggregate Reserve Amount. A bank may withdraw, in whole or in part, from the compulsory reserve account, provided that the monthly average of the reserves is 100 per cent. This requirement is met if during the period commencing on the 24th day of the month immediately following the reference month and ending on the 23rd day of the following month, the average amount of daily balances in the reserve account is not lower than the amount of the compulsory reserve calculated as per the foregoing. Italian banks may also, subject to authorization by the Bank of Italy, fulfill their compulsory reserve requirements through an intermediary bank, which is jointly and severally liable for compliance. If the compulsory reserve requirements are not complied with, the ECB may impose a sanction on the defaulting bank.

The compulsory reserve earns a rate of interest equal to the average rate of the re-financing transactions carried out by the ECB. The reserve requirements are also used as a monetary control.

### ***Risk-Based Capital Requirements, Solvency Ratios and Large Exposure Limitations***

Capital adequacy requirements are regulated principally by EC Directive 89/299 (as amended), EC Directive 89/647, the Basel Committee's Risk-Based Capital Guidelines, the Consolidated Banking Law, the CICR Regulation of January 12, 1994 and by regulations issued by the Bank of Italy in July 1996 and March 1997. According to such regulations, Italian banking groups are required to have a ratio of Own Funds to Risk-Weighted Assets of at least 8 per cent. on a consolidated basis, Italian banks belonging to a banking group are required to have a ratio of Own Funds to Risk-Weighted Assets of at least 7 per cent., on a stand-alone basis, and Italian banks that are not part of a banking group are required to have a ratio of at least 8 per cent. At least half of the required Own Funds must consist of Tier 1 capital, and the rest may consist of Tier 2 capital. Tier 1 capital includes paid-in share capital, capital reserves, retained earning reserves and a special reserve denominated "*fondo per rischi bancari generali*", less own shares owned by the bank, goodwill, intangible assets and losses carried forward and incurred in the fiscal year. Tier 2 capital includes asset revaluation reserves, subordinated debt, hybrid quasi-equity instruments (such as non-redeemable loans) and other positive items, less net losses on securities and other negative items. There

are also limitations on the maximum amount of Tier 2 capital. To calculate Risk-Weighted Assets, assets and off-balance sheet items are weighted in relation to the nature of the debtors, country risk and the guarantees and collateral received.

The EC Large Exposure Directive has as its purpose the spreading of credit risks throughout the banking system and the limitation of a bank's exposure to any single borrower. In compliance with the criteria specified by the Treasury Ministry, the Bank of Italy issued supervisory regulations on the concentration of risk which implement the provisions of the Large Exposures Directive.

These regulations require a bank to limit its loans (*i.e.*, loans exceeding 10 per cent. of its Own Funds) to any single customer or group of related customers to 25 per cent. of the bank's Own Funds and the aggregate of large exposures to not more than 800 per cent. of the bank's Own Funds, as defined pursuant to Bank of Italy regulations. A lower limit of 120 per cent. of Own Funds applies to all loans to persons or entities affiliated with the bank, including (i) shareholders that own at least 15 per cent. of the bank's share capital and (ii) companies controlled by the bank or in which the bank owns at least 20 per cent. of the share capital.

The Bank of Italy has also adopted certain transitional provisions permitted under the EC Large Exposures Directive in implementing its provisions. Until December 1, 1998, large exposures were defined as those loans exceeding 15 per cent., rather than 10 per cent., of a bank's Own Funds. If the aggregate amount of a bank's large exposures exceeded 800 per cent. of the bank's Own Funds, the relevant bank was obliged to deliver a program to the Bank of Italy that set forth its plan to reduce its risks by December 31, 1998. Any loan made by a bank to a single client or group of related clients could not exceed 60 per cent. of the bank's Own Funds starting from December 31, 1996, and 40 per cent. of the bank's Own Funds starting from December 31, 1998, and may not exceed 25 per cent. of the bank's Own Funds starting from December 31, 2001.

Banks belonging to banking groups are not required to conform to these limits on an individual basis, but only on a consolidated basis at the parent level. On an individual basis, banks belonging to banking groups must limit their largest exposures to any single customer or group of related customers to 40 per cent. of the bank's Own Funds.

#### ***Equity Investment by Banks***

Since 1993, Italian banks have been permitted to make equity investments in all types of companies, subject to certain restrictions. The Bank of Italy must approve equity investments by banks in other banks or financial or insurance companies exceeding the following thresholds: (i) 10 per cent. of the Own Funds of the acquiring bank, or (ii) 10 per cent. or 20 per cent. of the share capital of the bank or financial or insurance company being acquired. Prior authorization of the Bank of Italy is also required where control of a bank or financial or insurance company is acquired. Investments by banks in insurance companies exceeding in aggregate 40 per cent. of the acquiring bank's consolidated Own Funds (and 60 per cent. of its unconsolidated Own Funds) are not permitted.

The Bank of Italy must approve the acquisition by banks of control of non-financial companies. Equity participations in companies other than banks or financial or insurance companies may not exceed (i) 15 per cent. of the bank's capital with a maximum of 7.5 per cent. in unlisted companies, (ii) 3 per cent. of the bank's capital as to investments in a single company or group of companies, or (iii) 15 per cent. of the voting shares of the company whose shares are acquired by the bank. The Bank of Italy has prescribed regulatory requirements with higher limits for banks with at least LIT 2,000 billion in capital and that meet the solvency ratios and for banks that collect mainly medium- and long-term funds, take no demand deposits, have capital in excess of LIT 2,000 billion and meet the solvency ratios. These higher limits are applied by the Bank of Italy upon request by the bank in question.

Generally, equity participation by a bank in all types of companies may not in the aggregate exceed, together with real estate investments, the bank's Own Funds.

### ***Restrictions on Foreign Investors***

The Bank of Italy must communicate to the Treasury Ministry requests for authorization to purchase in excess of 5 per cent. of the capital of an Italian bank received from nationals of states (other than EU member states) that apply discriminatory measures, with regard to similar acquisitions by Italian nationals. If proposed by the Treasury Ministry, the President of the Italian Council of Ministers may deny the authorization.

### ***Restrictions on Deposits***

Depositors are primarily protected against the risk of insolvency of their bank or credit institution and the loss of their deposited funds by the *Fondo Interbancario di Tutela dei Depositi* (the "Interbank Fund"), established in 1987 by a group of Italian banks. Legislative Decree No. 659 of December 4, 1996 provides that all Italian banks must participate in the Interbank Fund or an equivalent system of guarantee.

The Interbank Fund intervenes when a credit institution is in either controlled management or compulsory liquidation. In the event of controlled management, the Interbank Fund may make payments to support the business of the credit institution which may take various forms (for example, debt financing and taking an equity stake in the credit institution). In the case of compulsory liquidation, the Interbank Fund may guarantee the refund of deposits to banking customers up to a maximum of LIT 200 million for each depositor. The guarantee does not cover, among other things, the following: customer deposits and other customer funds in bearer form; deposits by financial and insurance companies and by organizations for collective investment in securities; and deposits by managers and executives of banks.

### **Recent Developments**

#### ***Italian Usury Law***

On November 17, 2000, the Italian Supreme Court (*Corte di Cassazione*) issued a ruling on interest rates on bank loans in excess of limits (usury rates) established by the Italian Ministry of Treasury pursuant to Law no. 108 of March 7, 1996. The effect of this ruling is still being considered by members of the Italian banking community. One interpretation of this ruling is that Italian banks which issued loans before the enactment of Law no. 108 of March 7, 1996 at fixed rates in excess of the usury rates, will, with effect from the enactment, only be legally entitled to recover interest from borrowers in respect of such loans up to the applicable usury rates. An alternative interpretation is that banks will only be legally entitled to recover the principal amount of any loan on its scheduled maturity and any interest payment due to the enactment of the Law no. 108 of March 7, 1996, whether or not in excess of the usury rates, will not be recoverable. In consideration of the sharp decrease in Italian and European interest rates during the period from 1998-1999, the Italian government issued Legislative Decree no. 394 of December 29, 2000. According to this decree, Italian banks that issued loans before the enactment of Law no. 108 of March 7, 1996 at fixed rates in excess of the average interest rate (calculated by taking into account rates over the past 25 years) of government bonds having a maturity of more than one year, will, with effect from January 2, 2001, only be legally entitled to recover interest, in respect of such loans, up to such average interest rate (12.21% for 2001).

#### ***Compounding of Interests (Anatocismo)***

There is doubt under applicable Italian law and regulation as to the enforceability of provisions requiring the payment of interest in respect of overdue interest in certain circumstances. Article 1283 of the Italian Civil Code permits such payment in limited circumstances but does permit interest to be paid on overdue interest in circumstances where this can be shown to be a recognized customary practice. Italian banks have typically capitalized accrued interest on a three-month basis on the grounds that such practice could be characterized as customary practice. However, recent decisions of the Italian courts have rejected this analysis.

A recent Italian statute nonetheless permits the *Comitato Interministeriale per il credito e risparmio* (the "CICR") to promulgate the conditions and criteria pursuant to which compounding of interest is permissible and expressly validates already existing *anatocismo* (compounding of interest) provisions in agreements. In February 2000, the CICR issued a resolution (the "CICR Resolution") setting forth the circumstances in which provisions permitting *anatocismo* in credit agreements are permissible. However, litigation challenging this statute in relation to interest paid before the effective date of the CICR Resolution is currently pending.

## DESCRIPTION OF THE TRUST SECURITIES

The Trust Securities will be issued pursuant to the terms of the Trust Agreement. The following summary of the material terms and provisions of the Trust Securities does not purport to be complete and is subject to, and qualified in its entirety by reference to, the Trust Agreement, the Agency Agreement (as defined below) and the Trust Act.

### General

The Trust Agreement authorizes the Regular Trustees of the Trust to issue the Trust Securities, which represent undivided beneficial ownership interests in the assets of the Trust. Title to the LLC Class B Preferred Securities will be held by the Property Trustee for the benefit of the holders of the Trust Securities. The Trust Agreement does not permit the Trust to acquire any assets other than the LLC Class B Preferred Securities and the related rights under the Trust Guarantee or the issuance by the Trust of any securities other than the Trust Securities (except as described below under “—Reopening”) or the incurrence of any indebtedness for borrowed money by the Trust. The payment of distributions out of money held by the Trust, and payments out of money held by the Trust upon redemption of the Trust Preferred Securities or liquidation of the Trust, are irrevocably and unconditionally guaranteed by the Bank to the extent described under “Description of the Subordinated Guarantees”.

The Trust will have two classes of Trust Securities: (i) the Trust Common Securities, which will have an aggregate liquidation preference of €5,000 and will initially be issued to the Branch; and (ii) the Trust Preferred Securities, which will have a liquidation preference of €1,000 per Trust Preferred Security and an aggregate liquidation preference of €220,000,000 and which are being offered hereby to investors. The terms of the Trust Common Securities and Trust Preferred Securities will be identical, except as set forth below under “—Subordination of Trust Common Securities”.

On or before the Issue Date, the Trust will enter into an agency agreement (the “Agency Agreement”) with BNP Paribas Luxembourg as the principal paying agent for the Trust Preferred Securities (the “Principal Paying Agent”) and as the Luxembourg transfer and paying agent for the Trust Preferred Securities (the “Luxembourg Paying Agent” and, together with the Principal Paying Agent, the “Paying Agents”).

### Distributions

The Trust will pass through the Dividends it receives on the LLC Class B Preferred Securities as distributions on the Trust Securities. Accordingly, the Trust will make distributions or other special distributions on the Trust Securities concurrently with, and in the same amount as, the Dividends or other special Dividends paid by the LLC on the LLC Class B Preferred Securities. Accordingly, and to the extent that Dividends are paid on the LLC Class B Preferred Securities, distributions will be made on the Trust Securities on the liquidation preference thereof, quarterly in arrears on September 27, December 27, March 27 and June 27 of each year, commencing September 27, 2001 (which are the Dividend Payment Dates for the LLC Class B Preferred Securities), (1) from the Issue Date to but excluding September 27, 2011, at the Initial Floating Dividend Rate of 3.10 per cent. per annum above the Euro Inter-bank Offered Rate (or three-month euro deposits (“EURIBOR”)) and (2) thereafter at the Final Floating Dividend Rate of 4.65 per cent. per annum above EURIBOR.

Whenever and to the extent the Trust receives any cash payments representing a Dividend or a payment upon redemption of the LLC Class B Preferred Securities, the Trust will distribute such amounts to the holders of the Trust Securities in proportion to their liquidation preferences.

If any Dividend Payment Date (and therefore a date for distributions on the Trust Securities) is not a TARGET Settlement Day (as defined below), then the related Dividend on the LLC Class B Preferred Securities and distribution on the Trust Securities will be made on the date provided for under “Description of the LLC Securities—LLC Class B Preferred Securities—Dividends”.

If Dividends are not payable on the LLC Class B Preferred Securities on any Dividend Payment Date for the reasons described under “Description of the LLC Securities—LLC Class B Preferred Securities—Dividends”, then the holders of Trust Securities will not be entitled to receive a distribution on that date.

Distributions of Dividends on the Trust Preferred Securities will be payable to the holders thereof as they appear on the books and records of the Trust on the relevant record dates, which will be the fifteenth day (whether or not a TARGET Settlement Day) prior to the relevant distribution date. Such distributions will be paid by the Trust to a Paying Agent for the benefit of the relevant holders of the Trust Preferred Securities. Subject to any applicable laws and regulations and the provisions of the Trust Agreement, each such payment will be made as described under “—Form, Denomination and Transfer” below.

#### **Payment of Additional Amounts**

Any and all payments in respect of the Trust Securities made by or on behalf of the Trust will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature, imposed or levied by or on behalf of Italy, the United States or any jurisdiction where an Eligible Borrower is located (each, a “Relevant Jurisdiction”) or any authority therein or thereof having power to tax (collectively, “Relevant Tax”) payable by or on behalf of the Trust, unless the withholding or deduction of such Relevant Tax is required by law. In that event, the Trust will distribute to each holder, as further distributions, such additional amounts (“Additional Amounts”) it receives from the LLC as a result of withholding on payments to such holder with the result that the net amounts received by each beneficial owner of the Trust Securities (or a third party on the holder’s behalf), after such withholding or deduction, will equal the amount of the Dividends and any other distributions each beneficial owner would have received under the LLC Class B Preferred Securities if it held directly a number of LLC Class B Preferred Securities equal to the number of Trust Preferred Securities held by it in the absence of such withholding or deduction, except that no such Additional Amounts will be payable to a holder of Trust Securities (or to a third party on the holder’s behalf) with respect to any Trust Securities to the extent that such Relevant Tax is imposed or levied by virtue of such holder (or the beneficial owner of such Trust Securities) (1) having some connection with the Relevant Jurisdiction, other than being a holder (or beneficial owner) of such Trust Securities, or (2) not having made a declaration of non-residence in, or other lack of connection with, the Relevant Jurisdiction or any similar claim for exemption, if the Bank or its agent has provided the beneficial owner of such Trust Securities or its nominee with at least 60 days’ prior written notice of an opportunity to make such a declaration or claim.

#### **Trust Enforcement Events**

The occurrence, at any time, of: (1) non-payment of Dividends or Special Dividends on the LLC Class B Preferred Securities for any Dividend Period or on any Special Dividend Date (and, accordingly, the related non-distribution of such Dividends on the Trust Securities) to the extent such Dividends have been declared or deemed declared; (2) a default by the Bank in respect of any of its obligations under the Trust Guarantee; or (3) an LLC Enforcement Event (as defined below under “Description of the LLC Securities—LLC Class B Preferred Securities—LLC Enforcement Events”) with respect to the LLC Class B Preferred Securities will constitute an enforcement event under the Trust Agreement with respect to the Trust Securities (a “Trust Enforcement Event”); provided that, pursuant to the Trust Agreement, the holder of the Trust Common Securities will be deemed to have waived any Trust Enforcement Event with respect to the Trust Common Securities until all Trust Enforcement Events with respect to the Trust Preferred Securities have been cured, waived or otherwise eliminated. In the case of a Trust Enforcement Event set forth in clause (1) above, such Trust Enforcement Event will be cured if the LLC pays Dividends on the LLC Class B Preferred Securities in full on each Dividend Payment Date for twelve consecutive months.



Upon the occurrence of a Trust Enforcement Event:

the Property Trustee, as the holder of the LLC Class B Preferred Securities, will enforce the terms of the LLC Class B Preferred Securities, including:

- (1) the right to replace the Independent Director by electing a new Independent Director to the Board (to the extent that such right is available to the holders of the LLC Class B Preferred Securities as described under “Description of the LLC Securities—LLC Class B Preferred Securities—Voting Rights”);
- (2) the rights of the holders of the LLC Class B Preferred Securities under the Class B Guarantee; and
- (3) the rights of the holders of the LLC Class B Preferred Securities to receive Dividends (only if and to the extent declared or deemed to have been declared) on the LLC Class B Preferred Securities.

If the Property Trustee fails to enforce the Trust’s rights under the LLC Class B Preferred Securities or under the Class B Guarantee after a holder of Trust Preferred Securities has made a written request and has offered indemnity on security reasonably satisfactory to the Property Trustee, such holder may directly institute a legal proceeding against the LLC to enforce the Trust’s rights under the LLC Class B Preferred Securities without first instituting any legal proceeding against the Property Trustee, the Trust, the Independent Director or any other person or entity.

In the case of any Trust Enforcement Event, the holder of Trust Common Securities will be deemed to have waived any such Trust Enforcement Event until every Trust Enforcement Event with respect to the Trust Preferred Securities has been cured, waived or otherwise eliminated. Until all Trust Enforcement Events with respect to the Trust Preferred Securities have been so cured, waived or otherwise eliminated, the Property Trustee shall act solely on behalf of the holders of the Trust Preferred Securities and not on behalf of the holder of the Trust Common Securities, and only the holders of the Trust Preferred Securities will have the right to direct the Property Trustee to act on their behalf or to elect the Independent Director (if applicable).

## **Redemption**

The Trust Preferred Securities may be redeemed, in whole or in part, only upon redemption of the LLC Class B Preferred Securities. The Trust will pass through the redemption payments it receives on the LLC Class B Preferred Securities to redeem a corresponding number of Trust Securities.

If the LLC redeems the LLC Class B Preferred Securities in accordance with the LLC Agreement as described under “Description of the LLC Securities—LLC Class B Preferred Securities—Redemption and Repurchase”, then the LLC must give the Property Trustee at least 35 days’ prior notice before doing so. The Property Trustee will mail the notice of redemption to the holders of Trust Preferred Securities not less than 30 nor more than 60 days prior to the date fixed for redemption of the LLC Class B Preferred Securities as described under “—Notices”.

If the Trust gives a notice of redemption in respect of Trust Preferred Securities (which notice will be irrevocable), then, by 12:00 p.m., New York City time, on the applicable Redemption Date (as defined below), provided that the LLC has paid to the Property Trustee a sufficient amount of cash in connection with the related redemption of the LLC Class B Preferred Securities, the Trust will irrevocably deposit with the Paying Agents funds sufficient to pay the Redemption Price (as defined below) and will give the Paying Agents irrevocable instructions and authority to pay the Redemption Price to the holders of the Trust Preferred Securities represented by global securities and will irrevocably deposit with the Property Trustee funds sufficient to pay the Redemption Price in

respect of any Trust Preferred Securities in certificated form and will give the Paying Agents irrevocable instructions and authority to pay such amount to the holders thereof on surrender of their certificates. See “—Form, Denomination and Transfer”. If notice of redemption has been given and funds deposited as required, then, immediately prior to the close of business on the date of such deposit, all rights of holders of such Trust Preferred Securities so called for redemption will cease, except the right of the holders of such Trust Preferred Securities to receive the Redemption Price (but without interest on such Redemption Price). If payment of the Redemption Price in respect of Trust Preferred Securities is improperly withheld or refused and not paid either by the Trust, or by the Bank pursuant to the Trust Guarantee, distributions on such Trust Preferred Securities will continue to accrue at the then applicable rate from the original Redemption Date to the date of payment, in which case the actual payment date will be considered the date fixed for redemption for purposes of calculating the Redemption Price.

If fewer than all of the outstanding Trust Securities are to be redeemed, the Trust Securities will be redeemed by lot or *pro rata* as may be determined by the Board of Directors of the LLC.

#### **Purchases of Trust Preferred Securities**

The Bank or any of its affiliates may at any time and from time to time, subject to applicable regulatory requirements, including the prior approval of the Bank of Italy (if then required), purchase outstanding Trust Preferred Securities by tender in the open market or by private agreement. If purchases are made by tender, the tender must be available at the office of the Paying Agent in Luxembourg and to all holders of Trust Preferred Securities.

#### **Subordination of Trust Common Securities**

Distributions of Dividends and payments of amounts on redemption or amounts upon liquidation of the Trust will be allocated between the Trust Common Securities and the Trust Preferred Securities on a *pro rata* basis based on the liquidation preference of the Trust Securities; *provided, however*, that upon the occurrence and during the continuance of an event of default under the Subordinated Notes or the Subordinated Guarantees, holders of the Trust Preferred Securities will have a preference over the holders of the Trust Common Securities as to distributions and payments upon redemption and liquidation.

#### **Distribution of LLC Class B Preferred Securities Upon Dissolution**

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Trust (each a “Trust Liquidation”), the holders of the Trust Securities will be entitled to receive out of the assets of the Trust, after satisfaction of liabilities to creditors, if any, the LLC Class B Preferred Securities on a *pro rata* basis, except, in the case of the holders of Trust Common Securities, in the limited circumstances described above under “—Subordination of Trust Common Securities”.

Pursuant to the Trust Agreement, the Trust will dissolve (1) upon the bankruptcy, insolvency or dissolution of the Bank or the LLC, (2) upon the filing of a certificate of cancellation with respect to the LLC, (3) with the consent of at least a majority in liquidation amount of the outstanding Trust Securities, voting together as a single class, to file a certificate of cancellation with respect to the Trust, (4) upon the election of the Regular Trustees, following the occurrence and during the continuation of a Trust Special Event, to dissolve the Trust, (5) upon the entry of a decree of a judicial dissolution of the LLC or the Trust, or (6) upon the redemption of all of the Trust Securities; *provided, however*, that to the fullest extent permitted by law, if a claim has been made under the Trustee Guarantee, the Trust shall not be dissolved until (a) such claim has been satisfied or (b) the LLC Class B Preferred Securities shall have been distributed to holders of the Trust Securities in connection with the occurrence of a Trust Liquidation.

If, at any time, a Trust Special Event occurs and is continuing, the Regular Trustees will, within 90 days following the occurrence of the Trust Special Event, elect to either (1) dissolve the Trust upon not less than 30 days

nor more than 60 days' notice to the holders of the Trust Securities, Euroclear and Clearstream, Luxembourg, with the result that, after satisfaction of liabilities to creditors of the Trust, if any, LLC Class B Preferred Securities would be distributed on a *pro rata* basis to the holders of the Trust Securities in liquidation of such holders' interest in the Trust, *provided* that, if at the time there is available to the Trust the opportunity to eliminate, within such 90-day period, the Trust Special Event by taking some ministerial action, such as filing a form or making an election, or pursuant to some other similar reasonable measure which in the sole judgment of the Bank has, or will cause, no adverse effect on the LLC, the Trust, the Bank or the holders of the Trust Securities and will involve no material costs, the Trust will pursue such measure in lieu of dissolution; or (2) cause the Trust Preferred Securities to remain outstanding, *provided* that in the case of this clause (2), the Bank shall pay any and all expenses incurred or payable by the Trust attributable to the Trust Special Event.

A "Trust Special Event" means (1) an Investment Company Event solely with respect to the Trust, but not with respect to the LLC, or (2) a Tax Event solely with respect to the Trust, but not with respect to the LLC or an Eligible Borrower. See "Description of the LLC Securities—LLC Class B Preferred Securities—Redemption and Repurchase" for the definitions of "Investment Company Event" and "Tax Event".

If the LLC Class B Preferred Securities are distributed to the holders of the Trust Securities, the Bank and the LLC will notify such holders prior to such distribution in accordance with the provisions set forth in "—Notices". If the LLC Class B Preferred Securities are distributed to such holders, the Bank will use its commercially reasonable efforts to cause the LLC Class B Preferred Securities to be listed on the Luxembourg Stock Exchange or on whatever other international securities exchange or similar organization on which the Trust Preferred Securities are then listed or quoted. The LLC Class B Preferred Securities currently are not listed on the Luxembourg Stock Exchange or any other securities exchange. See "Investment Considerations—Optional Redemption Upon the Occurrence of an LLC Special Event or Trust Special Event—Liquidation of the Trust Upon Occurrence of a Trust Special Event".

Upon dissolution of the Trust, on the date fixed for any distribution of LLC Class B Preferred Securities, (i) the Trust Securities will no longer be deemed to be outstanding and (ii) certificates representing Trust Securities will be deemed to represent the LLC Class B Preferred Securities having an aggregate liquidation preference equal to the aggregate liquidation preference of such Trust Securities until such certificates are presented for exchange.

### **Voting Rights**

Except as described herein and under "Description of the Subordinated Guarantees—Amendment", and as otherwise required by law and the Trust Agreement, the holders of the Trust Preferred Securities will have no voting rights.

Subject to the requirement of the Property Trustee obtaining a tax opinion as set forth in the last sentence of this paragraph, the holders of a majority of the outstanding Trust Preferred Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Property Trustee, or to direct the exercise of any trust or power conferred upon the Property Trustee under the Trust Agreement, including the right to direct the Property Trustee, as holder of the LLC Class B Preferred Securities, (1) to exercise the remedies available to it under the LLC Agreement or the Class B Guarantee as a holder of the LLC Class B Preferred Securities; (2) to consent to any amendment, modification or termination of the LLC Agreement or the LLC Class B Preferred Securities where such consent is required, *provided* that, where a consent or action under the LLC Agreement would require the consent or act of the holders of more than a majority of the LLC Class B Preferred Securities affected thereby, only the holders of the percentage of the aggregate number of the Trust Securities outstanding which is at least equal to the percentage of the LLC Class B Preferred Securities required under the LLC Agreement may direct the Property Trustee to give such consent or take such action on behalf of the Trust; and (3) to direct the Independent Director with respect to matters (including enforcement of the Subordinated Notes) for which the Independent Director acts on behalf of the Property Trustee, as holder of the LLC Class B Preferred Securities. See "Description of the LLC Securities—LLC Class B Preferred Securities—Voting Rights". Except with respect to

directing the time, method and place of conducting a proceeding for a remedy as described above, the Property Trustee shall be under no obligation to take any of the actions described in clause (1), (2) or (3) above unless the Property Trustee has obtained an opinion of an independent nationally recognized law firm in the United States experienced in such matters to the effect that, as a result of such action, the Trust will not fail to be classified as a grantor trust for United States federal income tax purposes and that after such action each holder of Trust Securities will continue to be treated as owning an undivided beneficial ownership interest in the LLC Class B Preferred Securities.

Any required approval or direction of holders of Trust Preferred Securities may be given at a separate meeting of holders of Trust Preferred Securities convened for such purpose, at a meeting of the holders of both the Trust Preferred Securities and Trust Common Securities or pursuant to a written consent (executed by the required number of holders). The Regular Trustees will cause a notice of any meeting at which holders of Trust Preferred Securities are entitled to vote, or of any matter upon which action by written consent of such holders is to be taken, to be mailed to each holder of record of Trust Preferred Securities. See “—Notices”. Each such notice will include a statement setting forth the following information: (1) the date of such meeting or the date by which such action is to be taken; (2) a description of any resolution proposed for adoption at such meeting on which such holders are entitled to vote or of such matter upon which written consent is sought; and (3) instructions for the delivery of proxies or consents. No vote or consent of the holders of Trust Preferred Securities will be required for the Trust to redeem and cancel Trust Preferred Securities or distribute LLC Class B Preferred Securities to such holders in accordance with the Trust Agreement.

Notwithstanding that holders of Trust Preferred Securities are entitled to vote or consent under any of the circumstances described above, any of the Trust Preferred Securities that are beneficially owned at such time by the Bank or any entity directly or indirectly controlled by, or under direct or indirect common control with, the Bank, will not be entitled to vote or consent and will, for purposes of such vote or consent, be treated as if such Trust Preferred Securities were not outstanding, except for Trust Preferred Securities purchased or acquired by the Bank or any of its affiliates or in connection with transactions effected by or for the account of customers of the Bank or any of its affiliates or in connection with the distribution or trading of or market-making in connection with such Trust Preferred Securities; *provided, however*, that persons (other than affiliates of the Bank) to whom the Bank or any of its affiliates have pledged Trust Preferred Securities may vote or consent with respect to such pledged Trust Preferred Securities pursuant to the terms of such pledge.

The procedures by which holders of Trust Preferred Securities may exercise their voting rights are described below. See “—Form, Denomination and Transfer”.

Holders of the Trust Preferred Securities will have no right to appoint or remove the Regular Trustees, who may be appointed, removed or replaced solely by the Branch, as the holder of all of the Trust Common Securities.

Holders of the Trust Preferred Securities also have rights of direct action against the Bank in certain circumstances as described in “—Trust Enforcement Events” above, “Description of the LLC Securities—LLC Class B Preferred Securities—LLC Enforcement Events” and “Description of the Subordinated Guarantees—Enforcement”.

#### **Merger, Consolidation, Conversion or Amalgamation of the Trust**

The Trust may not consolidate, amalgamate, convert or merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any corporation or other entity, except as described below. The Trust may, at the request of the holder of the Trust Common Securities, with the consent of a majority of the Regular Trustees and without the consent of the holders of the Trust Preferred Securities, the Property Trustee or the Delaware Trustee, consolidate, amalgamate, merge with or into, or be replaced by or convey, transfer or lease its properties substantially as an entity to a trust organized as such under the laws of any State of the United States; *provided that*,

- (1) if the Trust is not the surviving entity, such successor entity either (x) expressly assumes all of the obligations of the Trust under the Trust Securities or (y) substitutes for the Trust Securities other securities having substantially the same terms as the Trust Securities (the "Successor Securities"), so long as the Successor Securities rank the same as the Trust Securities rank with respect to distributions and payments upon liquidation, redemption and otherwise;
- (2) the LLC expressly acknowledges a trustee of such successor entity possessing the same powers and duties as the Property Trustee as the holder of the LLC Class B Preferred Securities;
- (3) the Trust Preferred Securities or any Successor Securities will continue to be listed or quoted, or any Successor Securities will be listed or quoted upon notification of issuance, on any securities exchange, automated quotation system or similar organization on which the Trust Preferred Securities are then listed or quoted;
- (4) such consolidation, amalgamation, merger, conversion, replacement, conveyance, transfer or lease does not cause the Trust Preferred Securities (or any Successor Securities) to be downgraded by any rating agency then rating the Trust Preferred Securities;
- (5) such consolidation, amalgamation, merger, conversion, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the holders of the Trust Preferred Securities (or any Successor Securities) in any material respect;
- (6) such successor entity has a purpose substantially identical to that of the Trust;
- (7) the Bank guarantees the obligations of such successor entity under any Successor Securities to the same extent as provided by the Trust Guarantee; and
- (8) prior to such consolidation, amalgamation, merger, conversion, replacement, conveyance, transfer or lease, the Bank has received an opinion of an independent nationally recognized law firm in the United States experienced in such matters to the effect that: (A) such consolidation, amalgamation, merger, conversion, replacement, conveyance, transfer or lease will not adversely affect the rights, preferences and privileges of the holders of the Trust Preferred Securities (or any Successor Securities) in any material respect other than with respect to any dilution of such holders' interest in any successor entity, (B) following such consolidation, amalgamation, merger, conversion, replacement, conveyance, transfer or lease, neither the Trust nor such successor entity will be considered an investment company under the 1940 Act, (C) following such consolidation, amalgamation, merger, conversion, replacement, conveyance, transfer or lease, the Trust (or such successor entity) will continue to be classified as a grantor trust for United States federal income tax purposes, and (D) following such consolidation, amalgamation, merger, conversion, replacement, conveyance, transfer or lease, the LLC will not be classified as an association or a publicly traded partnership taxable as a corporation for United States federal income tax purposes. Notwithstanding the foregoing, the Trust shall not, except with the consent of holders of 100 per cent. of the Trust Preferred Securities outstanding, consolidate, amalgamate, convert or merge with or into, or be replaced by any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or replace it, if such consolidation, amalgamation, conversion, merger, replacement, conveyance, transfer or lease would cause the Trust or the successor entity not to be classified as a grantor trust for United States federal income tax purposes.

## Modification of the Trust Agreement

The Trust Agreement may be modified and amended if approved by a majority of the Regular Trustees (and in certain circumstances the Property Trustee and the Delaware Trustee), *provided*, that, if any proposed amendment provides for, or the Regular Trustees otherwise propose to effect, (1) any action that would materially and adversely affect the powers, preferences or special rights of the Trust Securities, whether by way of amendment to the Trust Agreement or otherwise, or (2) the dissolution, winding up or termination of the Trust other than pursuant to the terms of the Trust Agreement, then the holders of the Trust Securities voting together as a single class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of the holders of at least a majority of the liquidation amount of any outstanding Trust Securities affected thereby; *provided further* that if any proposed amendment provides for, or the Regular Trustees propose (x) a change in the amount or timing of any distribution on the Trust Securities of Dividends received by the Trust on the LLC Class B Preferred Securities or otherwise adversely affects the amount of any distribution of Dividends required to be paid in respect of the Trust Securities as of a specified date or (y) a restriction in the right of a holder of Trust Securities to institute suit for the enforcement of any payment on the Trust Securities, then such amendment or proposal shall not be effective except with the approval of 100 per cent. of the holders of the outstanding Trust Securities; *provided further* that if any amendment or proposal referred to in clause (1) above would adversely affect only the Trust Preferred Securities or only the Trust Common Securities, then only holders of the affected securities will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of a majority of holders of such securities.

The Trust Agreement may be amended without the consent of the holders of the Trust Securities to (1) cure any ambiguity, (2) correct or supplement any provision in the Trust Agreement that may be inconsistent with any other provision of the Trust Agreement or to add any other provision with respect to matters or questions arising under the Trust Agreement that is not inconsistent with the other provisions of the Trust Agreement, (3) add to the covenants, restrictions or obligations of the Bank or the Trust, (4) conform to any change in certain aspects of the 1940 Act or certain rules or regulations thereunder, or (5) modify, eliminate or add to any provision of the Trust Agreement to such extent as may be necessary to ensure that the Trust will be classified as a trust and not as a business entity for United States federal income tax purposes at all times that any Trust Securities are outstanding or to ensure that the Trust will not be required to register as an investment company under the 1940 Act; *provided* that no such amendment may have a material adverse effect on the rights, preferences or privileges of the holders of the Trust Securities and any such amendment will become effective when notice of the amendment is given to the holders of the Trust Preferred Securities in accordance with “—Notices”.

Notwithstanding the foregoing, no amendment or modification may be made to the Trust Agreement if such amendment or modification would (1) cause the Trust to fail to be classified as a grantor trust for United States federal income tax purposes, (2) cause the LLC to be classified as an association or publicly traded partnership taxable as a corporation for such purposes, (3) reduce or otherwise adversely affect the powers of the Property Trustee, (4) cause the Trust or the LLC to be considered an investment company under the 1940 Act or (5) cause the Trust Preferred Securities to fail to qualify as consolidated or non-consolidated Tier 1 capital for the Bank.

## Reopening

Except for the issuance of additional Trust Preferred Securities as described under “Description of the LLC Securities—Reopening”, the Trust Agreement prohibits the Trust from issuing any additional certificates of beneficial interest other than the Trust Securities described in this Offering Memorandum.

## **Form, Denomination and Transfer**

### ***General***

The Trust Preferred Securities will initially be evidenced by a single temporary global certificate (the "Temporary Global Certificate") which will be deposited on or about the Issue Date with BNP Paribas Luxembourg, as common depositary for Euroclear and for Clearstream, Luxembourg, and registered in the name of its nominee. On the Issue Date, Euroclear or Clearstream, Luxembourg, as the case may be, will credit the account of the Initial Purchasers with the aggregate amount of Trust Preferred Securities. The Trust will undertake to procure the exchange of the Temporary Global Certificate for a definitive permanent registered global certificate delivered to the Common Depositary (a "Permanent Global Certificate") upon the later of (i) the date that is 40 days (subject to extension as described in the proviso below) after the later of (A) the commencement of the offering of the Trust Preferred Securities and (B) the Issue Date, and (ii) the date on which the distribution of the Trust Preferred Securities has been completed (the later of (i) and (ii), the "Exchange Date"), to the extent that certifications as to beneficial ownership by non-U.S. holders are received by the transfer agent. No payments with respect to a holder's beneficial interest in the temporary global certificate will be made to such holder without a certification by or on behalf of such holder that it is not a U.S. Person as defined under Regulation S under the Securities Act. All payments and transfers will be made via the Clearstream, Luxembourg and Euroclear clearing systems.

### ***Transfers Within Global Securities***

Subject to the procedures and limitations described below under "—Global Securities", transfers of beneficial interests within a global security may be made without delivery to the Bank, the Trust or the Property Trustee of any written certifications or other documentation by the transferor or transferee.

### ***Global Securities***

The laws of some jurisdictions require that some purchasers of securities take physical delivery of securities in definitive form. Those laws may impair the ability to transfer beneficial interests in the Trust Preferred Securities so long as the Trust Preferred Securities are represented by global securities.

Beneficial interests in and transfers of global securities will be shown on records maintained by, and payments on global securities will be made to beneficial owners through, the clearing systems that hold the global securities and their participants. The initial clearing systems for the global securities are Euroclear and Clearstream, Luxembourg.

Owners of beneficial interests in global securities will not be considered the owners or holders of the Trust Preferred Securities under the Trust Agreement. Accordingly, to exercise any rights of a holder of Trust Preferred Securities, each beneficial owner must rely on the procedures of the clearing system that holds the global securities in which that beneficial owner has an interest and, if such owner is not a direct participant in such clearing system, on the participant and any other intermediaries through which such owner holds its beneficial interest.

The information set out below in connection with Euroclear and Clearstream, Luxembourg is subject to any change in or reinterpretation of the rules, regulations and procedures of the clearing systems currently in effect. The information about each of them set forth below has been obtained from sources that BAPV believes to be reliable, but neither BAPV nor the Branch, the Trust, the LLC or the Initial Purchasers takes any responsibility for the accuracy of the information. Neither BAPV nor the Branch, the Trust, the LLC or the Initial Purchasers will have any responsibility or liability for any aspect of the records relating to, or payments made on account of interests in Trust Preferred Securities held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Clearstream, Luxembourg and Euroclear have advised BAPV as follows:

### *Clearstream, Luxembourg*

Clearstream, Luxembourg is incorporated under the laws of Luxembourg as a professional depository. Clearstream, Luxembourg holds securities for Clearstream, Luxembourg participants (as defined below) and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg participants through electronic book-entry changes in accounts of Clearstream, Luxembourg participants, thereby eliminating the need for physical movement of certificates. Clearstream, Luxembourg provides to Clearstream, Luxembourg participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg interfaces with domestic markets in several countries. As a professional depository, Clearstream, Luxembourg is subject to regulation by the Luxembourg Monetary Institute. Clearstream, Luxembourg participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the Initial Purchasers ("Clearstream, Luxembourg participants"). Indirect access to Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream, Luxembourg participant either directly or indirectly.

Distributions with respect to Trust Preferred Securities held beneficially through Clearstream, Luxembourg will be credited to cash accounts of Clearstream, Luxembourg participants in accordance with its rules and procedures, to the extent received by Clearstream, Luxembourg.

### *Euroclear*

Euroclear was created in 1968 to hold securities for Euroclear participants (as defined below) and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear includes various other services, including securities lending and borrowing and interfaces with domestic markets in several countries. Euroclear is operated by the Brussels, Belgium office of Morgan Guaranty Trust Company of New York (the "Euroclear operator"), under contract with Euroclear Clearance Systems S.C., a Belgium cooperative corporation (the "cooperative"). All operations are conducted by the Euroclear operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear operator, not the cooperative. The cooperative establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the Initial Purchasers ("Euroclear participants"). Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

The Euroclear operator is the Belgian branch of a New York banking corporation which is a member bank of the Federal Reserve System. As such, it is regulated and examined by the Federal Reserve and the New York State Banking Department, as well as the Belgian Banking Commission.

Securities clearance accounts and cash accounts with the Euroclear operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the "Euroclear terms and conditions"). The Euroclear terms and conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear and receipts of payment with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear operator acts under the Euroclear terms and conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.



Distributions with respect to Trust Preferred Securities held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Euroclear terms and conditions, to the extent received by the Euroclear operator and by Euroclear.

### ***Secondary Market Trading in Relation to Global Securities***

Secondary market sales of book-entry interests in the Trust Preferred Securities held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the global securities through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear or Clearstream, Luxembourg and will be settled using the conventional procedures applicable to Eurobonds.

### **Information Concerning the Property Trustee**

The Property Trustee, prior to the occurrence of a default with respect to the Trust Securities, undertakes to perform only such duties as are specifically set forth in the Trust Agreement and, after such default, must exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provisions, the Property Trustee is under no obligation to exercise any of the powers vested in it by the Trust Agreement at the request of any holder of Trust Preferred Securities, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The holders of Trust Preferred Securities will not be required to offer such indemnity in the event such holders, by exercising their rights, direct the Property Trustee to take any action following a Trust Enforcement Event.

### **Registrar, Transfer Agent and Paying Agents**

The Property Trustee will act as registrar for the Trust Preferred Securities. BNP Paribas Luxembourg will act as transfer agent and Principal Paying Agent for the Trust Preferred Securities. The Trust has the right at any time to vary or terminate the appointment of any paying agents and to appoint additional or successor paying agents, *provided, however*, for so long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange, the Trust must maintain a paying agent in Luxembourg. BNP Paribas Luxembourg will act as Luxembourg transfer and paying agent. Registration of transfers of the Trust Preferred Securities will be effected without charge by or on behalf of the Trust, but upon payment (with the giving of such indemnity as the Trust may require) in respect of any tax or other governmental charges that may be imposed in relation to it. The Trust will not be required to register or cause to be registered the transfer of Trust Preferred Securities after such Trust Preferred Securities have been called for redemption.

### **Notices**

Notices to the holders of the Trust Preferred Securities will be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg and any other relevant securities clearing system for communication by each of them to participants, and so long as the Trust Preferred Securities are listed on one or more stock exchanges and the rules of such stock exchange(s) so require, notice will also be published in the manner described below.

All notices will be deemed to have been given upon (i) the mailing by first class mail, postage prepaid, of such notices to holders of the Trust Preferred Securities at their registered addresses as recorded in the register of holders of Trust Preferred Securities and (ii) so long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange and it is required by the rules of the Luxembourg Stock Exchange, publication of notice to the holders of Trust Preferred Securities in English in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, if such publication is not practicable, in one other leading English language newspaper with general circulation in Europe, such newspaper being published on each business day in morning editions, whether or not it shall be published in Saturday, Sunday or holiday editions provided that, so long as securities are held in registered global form and if the rules of the Luxembourg Stock Exchange would so

permit, notifications may be made through Euroclear and Clearstream, Luxembourg in place of publication in a newspaper as described above.

#### **Governing Law**

The Trust Agreement and the Trust Preferred Securities will be governed by, and construed in accordance with, Delaware law.

#### **Miscellaneous**

The Regular Trustees are authorized and directed to conduct the affairs of and to operate the Trust in such a way that the Trust will not be considered an investment company under the 1940 Act or characterized as other than a grantor trust for United States federal income tax purposes. In this connection, the Regular Trustees are authorized to take any action, not inconsistent with applicable law, the certificate of trust or the Trust Agreement, that the Regular Trustees determine in their discretion to be necessary or desirable for such purposes as long as such action does not adversely affect the interests of the holders of the Trust Preferred Securities.

## DESCRIPTION OF THE LLC SECURITIES

The following summary of the material terms and provisions of the preferred, limited liability company interests of the LLC does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms and provisions of the LLC Agreement and the LLC Act.

The LLC will issue the LLC Common Securities and preferred, limited liability company interests consisting of LLC Class A Preferred Securities and LLC Class B Preferred Securities. All of the LLC Class A Preferred Securities will initially be owned directly by the Bank, acting through the Branch. All of the LLC Class B Preferred Securities will be initially owned by the Trust. See "Description of the Trust Securities".

### **LLC Class A Preferred Securities**

#### ***Dividends***

Although there is no requirement to pay Dividends on the LLC Class A Preferred Securities, the Board may declare a Dividend on the LLC Class A Preferred Securities at any time (which is expected to occur when, if and to the extent that payments on the Subordinated Notes are made while Dividends on the LLC Class B Preferred Securities have not been declared or deemed to be declared (see "—LLC Class B Preferred Securities —Dividends")), but only after payment of all Required Dividends to holders of the LLC Class B Preferred Securities. It is expected that all net income of the LLC, to the extent not otherwise required to be distributed in respect of the LLC Class B Preferred Securities for any Dividend Payment Date, will be distributed as Dividends on the LLC Class A Preferred Securities prior to the occurrence of a Shift Event. However, the payment of Dividends on the LLC Class A Preferred Securities is not a condition to the payment of Dividends on the LLC Class B Preferred Securities.

#### ***Redemption of the LLC Class A Preferred Securities***

Upon the occurrence of a Shift Event, all of the LLC Class A Preferred Securities will be automatically redeemed in exchange for all of the Subordinated Notes then held by the LLC, without redemption of the LLC Class B Preferred Securities. The LLC Class A Preferred Securities will not otherwise be redeemed so long as the LLC Class B Preferred Securities remain outstanding.

#### ***Ranking; Liquidation Distribution Upon Dissolution***

Prior to a Shift Event, the LLC Class B Preferred Securities will rank senior to the LLC Class A Preferred Securities, and the LLC Common Securities with respect to Dividends and distributions upon liquidation. After a Shift Event has occurred or upon a liquidation, dissolution or winding up of the LLC, the LLC Class B Preferred Securities will rank junior to the LLC Class A Preferred Securities and senior to the LLC Common Securities with respect to Dividends and distributions upon liquidation, and, after satisfaction of liabilities to creditors, the holders of the LLC Class A Preferred Securities will be entitled to receive all the assets of the LLC as their liquidation distribution, including the Subordinated Notes.

#### ***Voting Rights***

The holder of the LLC Class A Preferred Securities will not have any voting rights.

#### ***Transfers***

All of the LLC Class A Preferred Securities will initially be owned directly by the Bank, acting through the Branch. Any sale, transfer or other disposition by the Bank of the LLC Class A Preferred Securities to another branch of the Bank will require the receipt by the Bank of (1) an opinion of a nationally recognized law firm in the United States experienced in such matters to the effect that (A) the LLC will continue to be treated as a partnership

for United States federal income tax purposes and such transfer will not cause the LLC to be classified as an association or publicly traded partnership taxable as a corporation for the United States federal income tax purposes, (B) such transfer will not cause the LLC or the Trust to be considered an investment company within the meaning of the 1940 Act, and (C) such transfer will not adversely affect the limited liability of the holders of the LLC Class B Preferred Securities, and (2) written confirmation from the Bank of Italy that such transfer will not result in a Capital Event. The Bank may not cause or permit any other transfer of the LLC Class A Preferred Securities.

## **LLC Class B Preferred Securities**

### ***General***

When issued, the LLC Class B Preferred Securities will be validly issued, fully paid and non-assessable. The holders of the LLC Class B Preferred Securities will have no preemptive rights with respect to any other securities of the LLC. The LLC Class B Preferred Securities will not be convertible into any other securities of the LLC and will not be subject to any sinking fund or other obligation of the LLC for their repurchase or retirement.

### ***Dividends***

#### ***General Provisions***

Dividends on the LLC Class B Preferred Securities will be paid when, as and if declared (or deemed declared) by the Board of Directors of the LLC, out of assets of the LLC legally available for the payment of Dividends. Dividends will not be cumulative and Dividends which are not declared (or deemed declared) for payment will not accumulate or compound from Dividend Period to Dividend Period. This means that if Dividends are not declared (or deemed declared) in full or in part on any Dividend Payment Date or Special Dividend Date on the LLC Class B Preferred Securities, holders of the LLC Class B Preferred Securities (and, consequently, holders of the Trust Securities) will not, and will have no right to, receive those Dividends or the unpaid portion of those Dividends at any time, even if Dividends or other distributions are declared (or deemed declared) or paid in respect of any future Dividend Period.

Dividends on the LLC Class B Securities will be payable on their liquidation preference of €1,000 per LLC Class B Preferred Security quarterly in arrears on September 27, December 27, March 27 and June 27 of each year, commencing September 27, 2001, on a noncumulative basis (1) at a floating rate (the "Initial Floating Dividend Rate") of 3.10 per cent. per annum above EURIBOR from and including the Issue Date to but excluding September 27, 2011 and (2) thereafter at a floating rate (the "Final Floating Dividend Rate" and, together with the Initial Floating Dividend Rate, the "Dividend Rate") of 4.65 per cent. per annum above EURIBOR.

"Dividend Payment Date" refers to each date on which dividends are payable in accordance with the preceding paragraph. If a Dividend Payment Date or a Redemption Date falls on a day that is not a TARGET Settlement Day, such Dividend Payment Date or Redemption Date shall be postponed to the next succeeding day which is a TARGET Settlement Day, unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding day that is a TARGET Settlement Day.

Dividends payable on each Dividend Payment Date will be calculated as provided below and will be the amount accrued from and including the immediately preceding Dividend Payment Date (or from and including June 27, 2001 with respect to the Dividend payable on September 27, 2001) to but excluding the relevant Dividend Payment Date or Redemption Date, as the case may be (each such period, a "Dividend Period"). Dividends will be payable only if declared or deemed declared as described below. Dividends payable on each Dividend Payment Date will be calculated on the liquidation preference of the LLC Class B Preferred Securities on the basis of a 360-day year and the actual number of days in the related Dividend Period.

Each Dividend Payment Date will also be a “EURIBOR Reset Date”. EURIBOR for each EURIBOR Reset Date and the Dividend Period that begins on the EURIBOR Reset Date will be EURIBOR as determined on the EURIBOR Determination Date immediately preceding the EURIBOR Reset Date.

“EURIBOR”, with respect to a EURIBOR Determination Date and the Dividend Period commencing on the EURIBOR Reset Date immediately thereafter, means the rate (expressed as a percentage per annum) for deposits in euro for a three-month period commencing on the EURIBOR Reset Date that appears on Telerate Page 248 (as defined below) as of 11:00 a.m. (Brussels time) on that EURIBOR Determination Date. If such rate does not appear on Telerate Page 248, EURIBOR will be determined by the Calculation Agent (as defined below) on the basis of the rates at which deposits in euro for a three-month period commencing on the EURIBOR Reset Date and in a principal amount equal to an amount of not less than €1,000,000 that is representative for a single transaction in the Euro-zone interbank market at such time, are offered in the Euro-zone interbank market by four major banks in the Euro-zone interbank market selected by the Calculation Agent, after consultation with the Bank, at approximately 11:00 a.m. (Brussels time) on that EURIBOR Determination Date.

The Calculation Agent will request the principal Euro-zone office of each of the banks selected as aforesaid by the Calculation Agent to provide a quotation of its rate. If at least two such quotations are provided, EURIBOR in respect of that EURIBOR Determination Date will be the arithmetic mean of such quotations. If fewer than two quotations are provided, EURIBOR in respect of that EURIBOR Determination Date will be the arithmetic mean of the rates quoted by three major lending banks in the Euro-zone interbank market selected by the Calculation Agent at approximately 11:00 a.m. (Brussels time), on that EURIBOR Determination Date for loans in euro to leading European banks for a three-month period commencing on the EURIBOR Reset Date and in a principal amount equal to an amount of not less than €1,000,000 that is representative for a single transaction in such market at such time; *provided, however*, that if the banks selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, EURIBOR with respect to such EURIBOR Determination Date will be the same as EURIBOR determined on the previous EURIBOR Determination Date.

“Business Day” means any day other than a Saturday, Sunday or a day on which banking institutions in The City of New York and Padua, Italy are authorized or required by law or executive order to remain closed.

“Calculation Agent” means BNP Paribas Luxembourg or any successor thereto.

“EURIBOR Determination Date” for any Dividend Period means the second TARGET Settlement Day preceding the applicable EURIBOR Reset Date.

“EURIBOR Reset Date” means the first day of any Dividend Period.

“TARGET Settlement Day” means a day on which the Trans-European Automated Real Time Gross Settlement Express Transfer (“TARGET”) System is open.

“Telerate Page 248” means the display designated as “Page 248” on the Bridge Telerate Service (or such other page as may replace Page 248 on that service or such other service or services as may be nominated by the European Banking Federation as the information vendor for the purpose of displaying Euro-zone interbank offered rates for euro deposits).

All percentages resulting from any calculation regarding Dividends on the Trust Preferred Securities will be rounded to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upwards (*e.g.*, 9.876545 per cent. (or .09876545) would be rounded to 9.87655 per cent. (or .0987655)).

The Calculation Agent will notify the Luxembourg Stock Exchange of the Dividend Rate determined for each Dividend Period.

Dividends on the LLC Class B Preferred Securities, if and to the extent declared or deemed declared, will be payable to the holders thereof as they appear on the securities register of the LLC on the relevant record dates, which will be the 15th day (whether or not a Business Day) prior to the relevant Dividend Payment Date.

*When Dividends Are Required to Be Paid or Cannot Be Paid*

*Limits on Payment of Dividends.* Except when it is required to pay Required Dividends as described below, the LLC may not pay Dividends (and accordingly distributions of Dividends will not be made on the Trust Preferred Securities) when

- (1) the Bank does not have, according to the unconsolidated annual financial statements of the Bank relating to the financial year immediately preceding the financial year in which such Dividend Payment Date falls or, where such financial statements are not available, the last set of unconsolidated financial statements approved by the Bank, net profits ("Distributable Profits") that would be available for the payment of a dividend or the making of a distribution on any class of its share capital, and/or the Bank has not declared or paid dividends on any class or series of its share capital for the financial year in which such Dividend Payment Date falls;
- (2) the Bank is otherwise prohibited under applicable Italian banking laws or regulations from declaring a dividend or making a distribution on any class of its share capital; or
- (3) a Shift Event (as defined below) has occurred and is continuing or would result from the payment of such Dividends.

*Required Dividends.* Notwithstanding the limits in clauses (1) through (3) above, the LLC will be required to declare and pay Dividends in full on any Dividend Payment Date ("Full Required Dividends") if:

- (a) the Bank or any Subsidiary (as defined below), as the case may be, has redeemed, repurchased or otherwise acquired a Parity Security (as defined below) or Junior Security (as defined below) for any consideration, or any monies are paid to or made available for a sinking fund or for redemption of any such securities (other than (I) any redemption, repurchase or other acquisition of such share capital or other instrument held by any wholly owned direct or indirect Subsidiary of the Bank, (II) as a result of a reclassification of the equity share capital of the Bank or such Subsidiary or the exchange or conversion of one class or series of such equity share capital for another class or series of such equity share capital, (III) the purchase of fractional interests in the capital stock of the Bank or any such Subsidiary pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (IV) in connection with a levy of execution for the satisfaction of a claim by the Bank or any Subsidiary, (V) in connection with the satisfaction by the Bank or any Subsidiary of its obligation under any employee benefit plan or similar arrangement, and (VI) in connection with transactions effected by or for the account of customers of the Bank or any Subsidiary or in connection with the distribution, trading or market-making in respect of such securities) during the twelve-month period immediately preceding and including such Dividend Payment Date;
- (b) the Bank has declared or paid a dividend or distribution or made any other payment with respect to a Junior Security, if any, that pays dividends or other distributions annually during the twelve-month period immediately preceding and including such Dividend Payment Date;
- (c) the Bank has declared or paid a dividend or distribution or made any other payment with respect to a Junior Security that pays dividends or other distributions semi-annually, if any, during the six-month period immediately preceding and including such Dividend Payment Date; or

- (d) the Bank has declared or paid a dividend or distribution or made any other payment with respect to a Junior Security that pays dividends or other distributions on a basis other than annually or semi-annually during the three-month period immediately preceding and including such Dividend Payment Date.

Additionally, and notwithstanding the limitations in clauses (1) through (3) above, if (x) the Bank or any of its subsidiaries declares or pays any dividends or makes any other payment or distribution in respect of any Parity Securities on any date, and (y) during the Relevant Period (as defined below) ending on and including that date there occurred a Dividend Payment Date as to which the LLC paid no dividends or less than full dividends on the LLC Class B Preferred Securities, then on that date the LLC will be required to pay a special Dividend on the LLC Class B Preferred Securities (each, a "Special Dividend" and, together with the "Full Required Dividends", the "Required Dividends"). The Special Dividend will be payable on that date (a "Special Dividend Date") whether or not that date is otherwise a Dividend Payment Date and, if it is a Dividend Payment Date, will be in addition to any other Dividends required to be paid on that Dividend Payment Date. The Special Dividend will be in an amount that, when taken together with Dividends previously paid during the Relevant Period, represents the same proportion of full Dividends for all Dividend Payment Dates during the Relevant Period that the dividend on Parity Securities paid during that Relevant Period bears to full dividends on such Parity Securities for that Relevant Period. For more information, see "Description of the LLC Securities — LLC Class B Preferred Securities — Dividends".

If for any reason any Required Dividends are not declared on any Dividend Payment Date or Special Dividend Date then, under the terms of the LLC's Amended and Restated Limited Liability Company Agreement (the "LLC Agreement"), such Required Dividends automatically will be deemed declared and authorized to be paid in full on such Dividend Payment Date.

"Parity Securities" means (1) the most senior preferred securities or preferred or preference shares issued directly by the Bank, if any, with powers, rights and preferences as to the Bank equivalent to the powers, rights and preferences of the Trust Preferred Securities and the LLC Class B Preferred Securities as to the Trust and the LLC, respectively, (2) any guarantee or similar instrument (other than the Subordinated Guarantees) issued by the Bank of preferred equity securities or preferred or preference shares issued by any Subsidiary through similarly linked structures as the Trust and the LLC, which guarantee or similar instrument ranks equally with the most senior preferred securities or preferred or preference shares of the Bank, and (3) the preferred equity securities or preferred or preference shares issued by a Subsidiary through similarly linked structures as the Trust and the LLC with the benefits of a guarantee or similar instrument from the Bank, which guarantee or similar instrument ranks equally with the most senior preferred securities or preferred or preference shares of the Bank, but does not include any such securities or shares issued to the Bank by any such Subsidiary. The Noncumulative Floating Rate Guaranteed Trust Preferred Securities of Antonveneta Capital Trust I, aggregate liquidation preference €80,000,000, issued in December 2000 and guaranteed by the Bank on a subordinated basis, are Parity Securities.

"Relevant Period" means (i) in the case of Parity Securities that pay dividends less frequently than semi-annually, one year, and (ii) in the case of Parity Securities that pay dividends semi-annually or more frequently than semi-annually, six months (in each case ending on or including the date on which the relevant dividend on a Parity Security is paid but not including the corresponding day and the month that is twelve or six months prior thereto).

"Subsidiary" means any person or entity that is required to be consolidated with the Bank for financial reporting purposes under applicable Italian banking laws and regulations.

"Junior Securities" means all share capital of the Bank, including its preferred shares ("*Azioni Privilegiate*"), ordinary shares and savings shares ("*Azioni di Risparmio*"), now or hereafter issued, other than any share capital of the Bank that expressly or effectively ranks on a parity with or senior to any Parity Security.

In accordance with, and subject to the limitations set forth in the LLC Agreement, so long as any LLC Class B Preferred Securities are outstanding, neither the Bank nor any Subsidiary will be entitled to redeem, repurchase or otherwise acquire, or set apart funds for the redemption, repurchase or other acquisition of, any Parity Securities or Junior Securities, through a sinking fund or otherwise (other than (I) any redemption, repurchase or other acquisition of such share capital or other instrument held by any wholly owned, direct or indirect subsidiary of the Bank, (II) as a result of a reclassification of the equity share capital of the Bank or such Subsidiary or the exchange or conversion of one class or series of such equity share capital for another class or series of such equity share capital, (III) the purchase of fractional interests in the capital stock of the Bank or any such Subsidiary pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (IV) in connection with a levy of execution for the satisfaction of a claim by the Bank or any Subsidiary, (V) in connection with the satisfaction by the Bank or any Subsidiary of its obligation under any employee benefit plan or similar arrangement, and (VI) in connection with transactions effected by or for the account of customers of the Bank or any Subsidiary or in connection with the distribution, trading or market-making in respect of such securities), unless and until (A) full Dividends on all LLC Class B Preferred Securities for the prior financial year (or such lesser period during which the LLC Class B Preferred Securities have been outstanding) are paid or a sum sufficient for payment has been paid to the Paying Agents for payment of such Dividends and (B) the LLC has declared Dividends on the LLC Class B Preferred Securities in full at the Dividend Rate for the then current Dividend Period and sufficient funds have been paid to the Paying Agents for payment of such Dividends. It is an obligation of the Bank to ensure that its affiliates observe the foregoing limitations.

#### ***Shift Event***

A "Shift Event" will be deemed to have occurred if: (1) as a result of losses incurred by the Bank, on a consolidated or non-consolidated basis, the total risk-based capital ratio of the Bank, on a consolidated or non-consolidated basis, as calculated in accordance with applicable Italian banking laws and regulations, and either (A) reported in the Bank's annual or semi-annual consolidated or non-consolidated financial statements or (B) determined by the Bank of Italy and communicated to the Bank, falls below the then minimum requirements of the Bank of Italy specified in its February 2000 regulations governing *Strumenti Innovativi di Capitale*, as amended from time to time (currently 5.0 per cent.); (2) proceedings are commenced for the liquidation, dissolution or winding up of (or similar proceedings with respect to) the Bank; or (3) the Bank of Italy, in its sole discretion, notifies the Bank that it has determined that the Bank's financial condition is deteriorating such that an event specified in either of clause (1) or (2) will occur in the near term.

Upon the occurrence of a Shift Event, all of the LLC Class A Preferred Securities will be automatically redeemed for all the Subordinated Notes then outstanding, without redemption of the LLC Class B Preferred Securities. Additionally, the LLC may not pay dividends on the LLC Class B Preferred Securities if a Shift Event has occurred and is continuing or would result from the payment of such dividends.

#### ***Payment of LLC Additional Amounts***

All payments in respect of the LLC Class B Preferred Securities made by or on behalf of the LLC shall be made without withholding or deduction for or on account of any Relevant Tax payable by or on behalf of the Company, unless the withholding or deduction of such Relevant Tax is required by law. In that event, the Company shall pay, as further Dividends, such additional amounts ("LLC Additional Amounts") as may be necessary in order that (A) the net amount received by each LLC Class B Preferred Securityholder, and (B) where the Trust is the LLC Class B Preferred Securityholder, then the net amount received by each beneficial owner of the Trust Preferred Securities, after such withholding or deduction, will equal the amount that would have been received (X) by such LLC Class B Securityholder in respect of the LLC Class B Preferred Securities (or by a third party on such LLC Class B Preferred Securityholder's behalf) and (Y) by such beneficial owner in respect of the Trust Preferred Securities (or by a third party on such Trust Preferred Securityholder's behalf), in the absence of such withholding or deduction of the Dividends on the LLC Class B Preferred Securities or of the distributions on the Trust Preferred Securities, except that no such LLC Additional Amounts will be payable to a LLC Class B Preferred Securityholder



(or to a third party on such LLC Class B Preferred Securityholder's behalf) with respect to any LLC Class B Preferred Securities to the extent that such Relevant Tax is imposed or levied by virtue of such LLC Class B Preferred Securityholder (or the beneficial owner of such LLC Class B Preferred Securities) (i) having some connection with the Relevant Jurisdiction, other than being a LLC Class B Preferred Securityholder (or beneficial owner of such LLC Class B Preferred Securities) or being a holder (or beneficial owner) of Trust Preferred Securities or (ii) not having made a declaration of non-residence in, or other lack of connection with, the Relevant Jurisdiction or any similar claim for exemption, if the Bank or its agent has provided the beneficial owner of such LLC Class B Preferred Securities or such Trust Preferred Securities or its nominee with at least 60 days' prior written notice of any opportunity to make such a declaration or claim.

### ***Payments***

If any Dividend Payment Date or Redemption Date falls on a day that is not a TARGET Settlement Day, the applicable Dividend or Redemption Price will be payable on the next succeeding day that is a TARGET Settlement Day, unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding day that is a Target Settlement Day, without adjustment, interest or further payment as a result of the adjustment.

### ***Voting Rights***

Except as described below, or as expressly required by applicable law, the LLC Class B Preferred Securities will have no voting rights.

Upon the occurrence of a Shift Event or if, for any Dividend Period, Required Dividends and any LLC Additional Amounts have not been paid in full by the LLC or by the Bank under the Class B Guarantee for any Dividend Payment Date or Special Payment Date, then the holders of outstanding LLC Class B Preferred Securities will be entitled, by ordinary resolution passed by the holders of a majority of such securities present in person or by proxy at a separate general meeting of such holders convened for the purpose, to replace the existing Independent Director by electing a new Independent Director.

No vote of the holders of the LLC Class B Preferred Securities will be required for the LLC to redeem and cancel the LLC Class B Preferred Securities in accordance with the LLC Agreement. See "—Redemption and Repurchase".

Notwithstanding that holders of LLC Class B Preferred Securities are entitled to vote or consent under the limited circumstances described above, any LLC Class B Preferred Securities that are beneficially owned at such time by the Bank or any entity directly or indirectly controlled by, or under direct or indirect common control with, the Bank, will not be entitled to vote or consent and will, for purposes of such vote or consent, be treated as if such LLC Class B Preferred Securities were not outstanding, except for LLC Class B Preferred Securities purchased or acquired by the Bank or its affiliates in connection with transactions effected by or for the account of customers of the Bank or any of its affiliates or in connection with the distribution or trading of or market-making in connection with such LLC Class B Preferred Securities; *provided, however*, that persons (other than affiliates of the Bank) to whom the Bank or any of its affiliates have pledged LLC Class B Preferred Securities may vote or consent with respect to such pledged LLC Class B Preferred Securities pursuant to the terms of such pledge.

### ***LLC Enforcement Events***

Each of the following events is an "LLC Enforcement Event": (1) non-payment of Dividends or Special Dividends on the LLC Class B Preferred Securities for any Dividend Period or on any Special Dividend Date, to the extent such Dividends have been declared or deemed declared; (2) a default by the Bank in respect of any of its obligations under the Class B Guarantee; or (3) an event of default with respect to any Subordinated Note occurs and is continuing. If an LLC Enforcement Event occurs and is continuing, then the Property Trustee, in accordance with

the Trust Agreement, for so long as the LLC Class B Preferred Securities are held by the Property Trustee, will have the right, or, if the Property Trustee does not hold the LLC Class B Preferred Securities, holders of the outstanding LLC Class B Preferred Securities will be entitled, by ordinary resolution passed by the holders of a majority in liquidation amount of such LLC Class B Preferred Securities present in person or by proxy at a separate meeting of such holders convened for the purpose, to enforce the terms of the LLC Class B Preferred Securities under the LLC Agreement, including the right to direct the Independent Director to enforce:

- the LLC's creditors' rights and other rights with respect to the Subordinated Notes;
- the rights of the holders of the LLC Class B Preferred Securities under the Class B Guarantee; and
- the rights of the holders of the LLC Class B Preferred Securities to receive Dividends (to the extent declared or deemed declared) on the LLC Class B Preferred Securities.

In the case of an LLC Enforcement Event set forth in clause (1) above, the LLC may cure such LLC Enforcement Event by making Dividend payments in full on the LLC Class B Preferred Securities on each Dividend Payment Date for twelve consecutive months.

If the Independent Director fails to enforce the LLC's rights under the Subordinated Notes or those of the holders of the LLC Class B Preferred Securities under the Class B Guarantee after a holder of the LLC Class B Preferred Securities has made a written request to the Independent Director for such enforcement, the holder may directly institute a legal proceeding against the Eligible Borrower to enforce the rights of the LLC under the Subordinated Notes or against the Bank to enforce the rights of such holders under the Class B Guarantee without first instituting any legal proceeding against the Independent Director, the LLC or any other person or entity. In any event, if an LLC Enforcement Event has occurred and is continuing and such event is attributable to the failure of an Eligible Borrower to make any required payment when due on any Subordinated Note, then a holder of LLC Class B Preferred Securities may on behalf of the LLC directly institute a proceeding against such Eligible Borrower with respect to such Subordinated Note for enforcement of payment. In such circumstances, a holder of LLC Class B Preferred Securities may also bring a direct action against the Bank to enforce such holder's right under the Class B Guarantee.

Notwithstanding the foregoing, under no circumstances will the Independent Director have authority to cause the Board to declare Dividends on the LLC Class B Preferred Securities. As a result, although the Independent Director may be able to enforce the LLC's creditors' right to receive payments in respect of the Subordinated Notes and the Class B Guarantee, the LLC would be entitled to reinvest such payments in additional Subordinated Notes, subject to satisfying certain reinvestment criteria described below, rather than making distributions on the LLC Class B Preferred Securities. Any member of the Board, including the Independent Director, will not, by virtue of acting in such capacity, be admitted as a member of the LLC or otherwise be deemed to be a member of the LLC and none will have any liability for the debts, obligations or liabilities of the LLC.

#### ***Independent Director Approval***

The LLC Agreement will provide that, for as long as any LLC Class B Preferred Securities are outstanding, there will at all times be a member of the Board that is not an officer, employee, non-independent director or affiliate of the Bank or any of its affiliates and who, to the fullest extent permitted by law, will act exclusively on behalf of the holders of the LLC Class B Preferred Securities.

The LLC Agreement will also provide that, for so long as any LLC Class B Preferred Securities are outstanding, the Independent Director, acting alone and without the vote or consent of the other members of the Board, will have the right and obligation on behalf of the LLC to enforce and otherwise act on behalf of the LLC with respect to the Subordinated Notes and the Class B Guarantee. With respect to the matters relating to the Class B Guarantee and the Subordinated Notes, the LLC Agreement will provide that the Independent Director will, to the

fullest extent permitted by law, consider only the interests of the holders of LLC Class B Preferred Securities in determining whether any proposed action requiring its approval is in the best interests of the LLC. Except with respect to the matters relating to the Class B Guarantee and the Subordinated Notes, the Independent Director will in assessing the benefit to the LLC of any proposed action requiring hereunder or under the By-Laws their affirmative vote, take into account the interests of the Common Securityholders and all Preferred Securityholders, *provided that*, so long as the LLC Class B Preferred Securities are held by the Trust, the Independent Director will be obligated to exercise its powers so as not to alter the material economic features of the LLC Class B Preferred Securities.

So long as any LLC Class B Preferred Securities are outstanding, certain actions (the "Designated Actions") by the LLC must be approved by the Independent Director as well as by a majority of the entire Board. The Designated Actions include: (1) any payment of Dividends on any LLC Class A Preferred Securities prior to the occurrence of a Shift Event or the payment of dividends or the making of distributions on the LLC Common Securities, in each case other than in accordance with the LLC Agreement; (2) the conversion of the LLC into another type of entity or the consolidation or merger of the LLC into any other entity, the consolidation or merger of any other entity with or into the LLC or the sale of all or substantially all of the assets of the LLC other than in accordance with the LLC Agreement; (3) to the fullest extent permitted by law, any liquidation, dissolution or winding up of the LLC that is not concurrent with the liquidation of the Bank; (4) any amendment or modification of the LLC Class B Preferred Securities, the Class B Guarantee or the Subordinated Notes (or any other security, contract obligation, agreement or instrument that is an asset of the LLC) that adversely affects the powers, preferences or special rights of the LLC Class B Preferred Securities in any material respect; (5) the approval of the sale, transfer or other disposition by the Bank of the LLC Common Securities other than to a branch of the Bank or to a subsidiary of the Bank that is deemed to be a "company controlled by the parent company" under Rule 3a-5 under the 1940 Act; and (6) any other action by the LLC or the Bank that could reasonably be expected to adversely affect the interests of the holders of the LLC Class B Preferred Securities in any material respect.

The Independent Director, acting alone and without the vote or consent of the other members of the board, will be entitled to take any and all such actions on behalf of the LLC in respect of the Subordinated Notes, the Class B Guarantee or any other right or remedy or course of action available to the LLC against the Bank, the Branch or any other party.

#### ***Redemption and Repurchase***

##### ***Optional Redemption on or after September 27, 2011***

The LLC Class B Preferred Securities will be redeemable, at the option of the LLC, subject to the prior approval of the Bank and, if then required, the Bank of Italy, in whole or in part, on any Dividend Payment Date occurring on or after September 27, 2011 (the "Regular Redemption Date") upon not less than 35 nor more than 65 days' notice to the holders of the LLC Class B Preferred Securities (which notice shall be irrevocable), at the Redemption Price. The LLC Class B Preferred Securities will not be redeemable prior to September 27, 2011 except upon the occurrence of an LLC Special Event as described below.

##### ***Redemption Prior to September 27, 2011 Upon the Occurrence of an LLC Special Event***

The LLC Class B Preferred Securities will also be redeemable at the Redemption Price, at the option of the LLC, subject to the prior approval of the Bank and, if then required, the Bank of Italy, in whole but not in part on any Dividend Payment Date occurring prior to September 27, 2011 (the "Special Redemption Date" and, together with the Regular Redemption Date, the "Redemption Dates") if an LLC Special Event occurs. Any such redemption shall be upon not less than 35 nor more than 65 days' notice to the holders of the LLC Class B Preferred Securities. See "Description of the Trust Securities—Redemption".

### *Payment of Redemption Price*

If payment of the Redemption Price in respect of any LLC Class B Preferred Security is improperly withheld or refused and not paid either by the LLC or by the Bank pursuant to the Class B Guarantee, Dividends on such LLC Class B Preferred Securities will continue to accumulate from the date fixed for redemption to the date of actual payment of such Redemption Price.

### *Repurchase*

The LLC or the Bank or any of the Bank's other affiliates may at any time or from time to time, subject to applicable regulatory requirements, including the prior approval of the Bank of Italy (if then required), purchase outstanding LLC Class B Preferred Securities by tender in the open market or by private agreement. If purchases are made by tender, the tender must be available to all holders of LLC Class B Preferred Securities.

### *Definitions*

"Capital Event" means the Bank is notified by the Bank of Italy to the effect that neither the LLC Class B Preferred Securities nor the Trust Preferred Securities may be included in the consolidated or non-consolidated Tier 1 capital of the Bank.

"Investment Company Event" means that the Bank has requested and received an opinion of a nationally recognized United States law firm experienced in such matters to the effect that there is more than an insubstantial risk that the Trust or the LLC is or will be considered an investment company within the meaning of the 1940 Act, as a result of any judicial decision, any pronouncement or interpretation (irrespective of the manner made known), any adoption or amendment of any law, rule or regulation or any notice or announcement (including any notice or announcement of intent to adopt such rule or regulation) by any United States legislative body, court, governmental agency or regulatory authority after the date of this Offering Memorandum.

"LLC Special Event" means (1) a Capital Event, (2) an Investment Company Event with respect to the LLC, or (3) a Tax Event with respect to the LLC.

"Redemption Price" means the liquidation preference per LLC Class B Preferred Security, plus any accumulated and unpaid Dividends for the Dividend Period immediately preceding the related Regular Redemption Date and any unpaid Required Dividends, plus LLC Additional Amounts thereon, if any.

"Tax Event" means that the Bank has requested and received an opinion of an independent nationally recognized law firm or other tax adviser in the Relevant Jurisdiction, as appropriate, experienced in such matters, to the effect that, as a result of: (1) any amendment to, or clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations promulgated thereunder) of the Relevant Jurisdiction or any political subdivision or taxing authority thereof or therein affecting taxation, (2) any Administrative Action, or (3) any amendment to, clarification of, or change in the official position or the interpretation of such Administrative Action or any interpretation or pronouncement that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental, administrative or regulatory authority or body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification or change is effective, or which pronouncement or decision is announced, on or after the date of this Offering Memorandum, there is more than an insubstantial risk that (A) the Trust or the LLC is or will be subject to more than a *de minimis* amount of taxes, duties or other governmental charges; (B) if a payment in respect of the Trust Securities or the LLC Class B Preferred Securities were to be due (whether or not the same is in fact then due) on or before the next Dividend Payment Date, the Trust or the LLC, as the case may be, would be unable to make such payment without having to pay Additional Amounts or LLC Additional Amounts, as the case may be; or (C) if a payment in respect of the Subordinated Notes were to be due (whether or not the same is in fact then due) on or before the next interest

payment date in respect of the Subordinated Notes, the related Eligible Borrower would be unable to make such payment without having to pay Subordinated Note Additional Amounts; *provided, however*, that none of the foregoing events will constitute a Tax Event if such event may be avoided by the related Eligible Borrower, the Trust or the LLC taking reasonable measures which (x) do not require the incurrence of material out-of-pocket expenses and (y) would not otherwise be disadvantageous to the Bank, the Branch or the related Eligible Borrower, as determined in the Bank's discretion.

#### ***Ranking; Liquidation Distribution Upon Dissolution***

In the event of any voluntary or involuntary liquidation, dissolution, termination or winding up of the LLC, holders of the LLC Class B Preferred Securities at the time outstanding will, subject to the limitations described below, be entitled to receive the liquidation preference of €1,000 per LLC Class B Preferred Security, plus accumulated and unpaid Dividends for the then current Dividend Period and declared or deemed declared and unpaid Dividends thereon, if any, to the date of such liquidation, in respect of each LLC Class B Preferred Security held out of the assets of the LLC available for distribution to shareholders after satisfaction of liabilities to creditors. Such entitlement will arise following the payment of the liquidation distribution to holders of the LLC Class A Preferred Securities and before any distribution of assets is made to holders of LLC Common Securities.

The LLC Class B Preferred Securities will rank *pari passu* among themselves.

Because, upon liquidation of the LLC, (1) the holders of the LLC Class A Preferred Securities have a claim senior to that of the holders of the LLC Class B Preferred Securities, and (2) the holders of the LLC Class A Preferred Securities will be entitled to receive as their liquidation distribution, after satisfaction of liabilities of creditors (but before other distributions to holders of the LLC Class B Preferred Securities), all the assets of the LLC, it is anticipated that the LLC Class B Preferred Securities holders' claim in liquidation of the LLC, equal to the liquidation preference of €1,000 per LLC Class B Preferred Security, will be required to be satisfied under the terms of the Class B Guarantee.

Pursuant to the LLC Agreement, the LLC shall dissolve (1) upon the entry of a judgment initiating judicial liquidation in respect of the Bank under Italian law or any other liquidation of the Bank under Italian law, (2) upon the redemption, repurchase or exchange of all outstanding LLC Class A Preferred Securities and LLC Class B Preferred Securities, (3) with the written consent of all holders of LLC Securities, (4) the entry of a decree of judicial dissolution of the LLC under Delaware law, (5) upon the entry of a decree of a judicial dissolution of the LLC for a certain period of time, or (6) at any time there are no longer any members of the LLC unless the LLC is continued in accordance under Delaware law or the LLC Agreement. Notwithstanding the foregoing, to the fullest extent permitted by law, the LLC shall not be dissolved until all claims under the Subordinated Guarantees shall have been paid in full pursuant to the terms of the Subordinated Guarantees.

#### **LLC Common Securities**

##### ***General***

Upon consummation of the Offering, the LLC will have outstanding five LLC Common Securities, all of which will be held by the Branch. As set forth in the Subordinated Guarantee, so long as any Class B Preferred Securities are outstanding, the Branch, another branch of the Bank, or, with the consent of the Bank of Italy, if then required, a Controlled Affiliate will hold 100% of the outstanding LLC Common Securities.

The Bank, acting through the Branch, as the initial holder of the LLC Common Securities, shall have the right to transfer the LLC Common Securities only to another branch of the Bank or a Controlled Affiliate. So long as the Class B Preferred Securities are outstanding, the holder of the LLC Common Securities may not sell, transfer or otherwise dispose of the LLC Common Securities to a Person other than to a branch of the Bank or a Controlled

Affiliate without the prior approval of a majority of the Board and of the Independent Director and the consent of the Bank of Italy, if required; *provided* also that prior to such transfer:

(1) it has received an opinion of an independent nationally recognized law firm in the United States experienced in such matters to the effect that:

(i) the LLC will continue to be treated as a partnership for United States federal income tax purposes and such transfer will not cause the LLC to be classified as an association or publicly traded partnership taxable as a corporation for United States federal income tax purposes;

(ii) such transfer will not cause the LLC or the Trust to be considered as an investment company within the meaning of the 1940 Act; and

(iii) such transfer will not adversely affect the limited liability of the Class B Preferred Securityholders; and

(2) the Bank has received written confirmation from the Bank of Italy, if then required, that such transfer will not result in a Capital Event.

The LLC will be precluded by the LLC Agreement from issuing any equity interests in the LLC other than the LLC Common Securities and the LLC Preferred Securities. Accordingly, the LLC may not issue any equity securities that rank senior to the LLC Preferred Securities.

#### ***Dividends***

The LLC Common Securities will ordinarily rank junior to the LLC Preferred Securities as to payment of dividends. The LLC shall not declare, pay or set apart funds for any dividends with respect to any LLC Common Securities and neither the Bank nor any Subsidiary shall repurchase, redeem or otherwise acquire, or set apart funds for repurchase, redemption or other acquisition of, any Junior Securities or Parity Securities through a sinking fund or otherwise (other than (1) any redemption, repurchase or other acquisition of such share capital or other instrument held by any wholly owned direct or indirect Subsidiary of the Bank, (2) as a result of a reclassification of the equity share capital of the Bank or such Subsidiary or the exchange or conversion of one class or series of such equity share capital for another class or series of such share capital, (3) the purchase of fractional interests in the share capital of the Bank or any such Subsidiary pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (4) in connection with a levy of execution for the satisfaction of a claim by the Bank or any Subsidiary, (5) in connection with the satisfaction by the Bank or any Subsidiary of its obligation under any employee benefit plan or similar arrangement and (6) in connection with transactions effected by or for the account of customers of the Bank or any Subsidiary or in connection with the distribution, trading or market-making in respect of such securities), unless and until (A) full Dividends on the LLC Class B Preferred Securities for the prior financial year (or such lesser period during which LLC Class B Preferred Securities have been outstanding) have been paid or a sum sufficient for payment has been paid over to the paying agent for the LLC Class B Preferred Securities for payment of such Dividends and (B) the LLC has declared Dividends on the LLC Class B Preferred Securities in full at the Dividend Rate for the then-current Dividend Period and sufficient funds have been paid over to the paying agent for the LLC Class B Preferred Securities for the payment of such Dividends.

#### ***Voting Rights***

Subject to the limited rights of the holders of the LLC Preferred Securities, all voting rights of the security holders of the LLC are vested in the LLC Common Securities. The LLC Common Securityholders shall be entitled to one vote per LLC Common Security upon all matters upon which LLC Common Securityholders have the right to vote. All LLC Common Securityholders shall have the right to vote separately as a class on any matter on which the

LLC Common Securityholders have the right to vote, regardless of the voting rights of holders of any other LLC Securities.

#### **Merger, Consolidation, Conversion or Amalgamation of the LLC**

The LLC may not consolidate, amalgamate, convert or merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any corporation or other entity, except as described below. The LLC may, without the consent of the holders of the LLC Class B Preferred Securities, consolidate, amalgamate, convert or merge with or into, or be replaced by or convey, transfer or lease its properties substantially as an entity to a limited partnership, limited liability company or trust organized as such under the laws of any state of the United States; *provided that*

- (1) if the LLC is not the surviving entity, such successor entity either (a) expressly assumes all of the obligations of the LLC under the LLC Class B Preferred Securities or (b) substitutes for the LLC Class B Preferred Securities other securities having substantially the same terms as the LLC Class B Preferred Securities (the "LLC Successor Securities") so long as the LLC Successor Securities are not junior to any equity securities of the successor entity, with respect to participation in the profits, distributions and assets of the successor entity, except that they may rank junior to the LLC Class A Preferred Securities or any successor LLC Class A Preferred Securities to the same extent that the LLC Class B Preferred Securities rank junior to the LLC Class A Preferred Securities;
- (2) each Eligible Borrower of the Subordinated Notes then held by the LLC expressly acknowledges such successor entity as the holder of the Subordinated Notes;
- (3) the LLC Class B Preferred Securities or any LLC Successor Securities will continue to be listed or quoted, or any LLC Successor Securities will be listed upon notification of official issuance, on any securities exchange, automated quotation system or similar organization on which the LLC Class B Preferred Securities, if so listed, are then listed or quoted;
- (4) such consolidation, amalgamation, merger, conversion, replacement, conveyance, transfer or lease does not cause the Trust Preferred Securities (or, in the event that the Trust is liquidated in connection with a Trust Special Event, the LLC Class B Preferred Securities (including any LLC Successor Securities)) to be downgraded by any rating agency then rating such securities;
- (5) such consolidation, amalgamation, merger, conversion, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the holders of the Trust Preferred Securities, if the LLC Class B Preferred Securities are held by the Trust at the time, or LLC Class B Preferred Securities (or any LLC Successor Securities) in any material respect;
- (6) such successor entity has a purpose substantially identical to that of the LLC;
- (7) the Bank guarantees the obligations of such successor entity under the LLC Class B Preferred Securities (or any LLC Successor Securities) to the extent as provided by the Class B Guarantee; and
- (8) prior to such consolidation, amalgamation, merger, conversion, replacement, conveyance, transfer or lease, the LLC has received an opinion of an independent nationally recognized law firm in the United States experienced in such matters to the effect that: (A) such consolidation, amalgamation, merger, conversion, replacement, conveyance, transfer or lease will not adversely affect the rights, preferences and privileges of the holders of the LLC Class B Preferred Securities (or any LLC Successor Securities) in any material respect; (B) following such consolidation, amalgamation, merger, conversion, replacement, conveyance, transfer or lease, such successor

entity will not be considered an investment company under the 1940 Act; (C) if the LLC Class B Preferred Securities are held by the Trust at the time, such consolidation, amalgamation, merger, conversion, replacement, conveyance, transfer or lease would not cause the Trust to be classified as other than a grantor trust for United States federal income tax purposes; and (D) such successor entity will be treated as a partnership, and will not be classified as an association or a publicly traded partnership taxable as a corporation, for United States federal income tax purposes.

#### **Modification of the LLC Agreement**

The LLC Agreement and the By-Laws of the LLC may be modified and amended by the LLC's Board without the consent of any holder of the LLC Preferred Securities, *provided that*, if any proposed amendment provides for, or the Board otherwise proposes to effect any action that,

- (1) would have a material adverse effect on a holder of the LLC Preferred Securities or a holder or beneficial owner of the Trust Preferred Securities (including any amendments to (i) provisions regarding the limitations on the powers of the Board, (ii) duties of the Independent Director and (iii) the terms of the LLC Class B Preferred Securities),
- (2) would result in the LLC in being deemed to be considered an investment company under the 1940 Act,
- (3) would result in causing the LLC to be treated as anything other than a partnership that is not a publicly traded partnership for purposes of the United States federal income taxation, or
- (4) has not received the prior requisite approval of the holders of the LLC Class B Preferred Securities, as may be expressly provided in the LLC Agreement or the By-Laws of the LLC,

then such amendment or proposal shall be void and ineffective. Additionally, as long as any LLC Class B Preferred Securities remain outstanding, the Board of Directors of the LLC shall not amend the provisions of the LLC Agreement relating to the payment of Dividends and other distributions of the LLC Class B Preferred Securities unless such amendment shall have received the prior unanimous approval of all holders of the LLC Class B Preferred Securities entitled to give such approval. If, for any Dividend Period, Required Dividends, and any LLC Additional Amounts in respect of such Dividends, have not been paid in full on the LLC Class B Preferred Securities by the LLC or by the Bank under the Class B Guarantee, holders of LLC Class B Preferred Securities will be entitled to replace the Independent Director with an Independent Director of their own choosing.

#### **Liquidation**

Upon dissolution of the LLC, the Board or, in the event that the dissolution is caused by (i) the entry of a decree of judicial dissolution of the LLC under Section 18-802 of the Delaware Act or (ii) the entry of a judgment initiating judicial liquidation in respect of the Bank under Italian law or any other liquidation of the Bank under Italian law and there are no Directors, a Person or Persons who may be approved by the LLC Class B Preferred Securityholders holding not less than a 66% in Liquidation Amount of the LLC Class B Preferred Securities, as liquidating trustees, shall immediately commence to wind up the LLC affairs; *provided, however*, that a reasonable time shall be allowed for the orderly liquidation of the assets of the LLC and the satisfaction of liabilities to creditors so as to minimize the losses attendant upon a liquidation. The proceeds of liquidation shall be distributed, as realized, in the manner provided in Section 18-804 of the Delaware Act.



## Reopening

Except as described below, the Trust Agreement prohibits the Trust from issuing any additional beneficial interests in the Trust other than the Trust Securities described in this Offering Memorandum, and the LLC Agreement prohibits the LLC from issuing any additional limited liability company interests in the LLC other than the LLC Securities described in this Offering Memorandum.

Notwithstanding the foregoing, as part of a concurrent series of related transactions, the Trust may issue additional Trust Preferred Securities and the LLC may issue additional LLC Class B Preferred Securities, in each case having terms and provisions identical to the Trust Preferred Securities and the LLC Class B Preferred Securities described in this Offering Memorandum (other than as to Issue Date), if such additional issuances occur before or around September 27, 2001 and the following requirements are satisfied:

- each rating agency, if any, then rating the Trust Preferred Securities or if not outstanding, the LLC Class B Preferred Securities, if then rated, has informed the Bank in writing that such additional issuances will not result in a downgrading of the rating then assigned by such rating agency;
- the Bank shall have received an opinion of a nationally recognized law firm in the United States experienced in such matters to the effect that (A) the LLC will continue to be treated as a partnership for United States federal income tax purposes, (B) the Trust will continue to be treated as a grantor trust and not as an association taxed as a corporation for United States federal income tax purposes, and (C) such issuances will not cause the Trust or the LLC to be considered as an investment company under the 1940 Act;
- the liquidation preference of the additional Trust Preferred Securities (to the extent that there are any Trust Preferred Securities outstanding), the liquidation preference of the additional LLC Class B Preferred Securities and the principal amount of additional Subordinated Notes purchased by the LLC, in each case as part of concurrent transactions, are the same;
- the Class B Guarantee and the Trust Guarantee cover (or are amended to cover) the additional LLC Class B Preferred Securities and the additional Trust Preferred Securities, respectively, in the same manner that they currently cover the LLC Class B Preferred Securities and the Trust Preferred Securities offered by this Offering Memorandum; and
- the Bank has received written confirmation from the Bank of Italy that such additional issuances will not cause a Capital Event to occur.

## Book-Entry and Settlement

If the LLC Class B Preferred Securities are distributed to holders of Trust Preferred Securities in connection with the involuntary or voluntary dissolution, winding up or liquidation of the Trust as a result of the occurrence of a Trust Special Event, the LLC Class B Preferred Securities will be issued in the same form as the Trust Preferred Securities they replace. Any global certificate will be replaced by one or more global certificates (each, a "Global LLC Preferred Certificate") registered in the name of the relevant clearing system or its custodian as the depository or its nominee. For a description of Euroclear and Clearstream, and the specific terms of the depository arrangements, see "Description of the Trust Securities—Form, Denomination and Transfer". As of the date of this Offering Memorandum, the description herein of the clearing system's book-entry system and the clearing system's practices as they relate to purchase, transfers, notices and payments with respect to the Trust Preferred Securities apply in all material respects to any LLC Class B Preferred Securities represented by one or more Global LLC Preferred Certificates.

### **Registrar, Transfer Agent and Paying Agent**

BNP Paribas Luxembourg will act as registrar, transfer agent, paying agent and common depositary for the LLC Preferred Securities. Registration of transfers of the LLC Class B Preferred Securities will be effected without service charge by or on behalf of the LLC, but upon payment (with the giving of such indemnity as the LLC may require) in respect of any tax or other governmental charges that may be imposed in relation to it. The LLC will not be required to register or cause to be registered the transfer of LLC Class B Preferred Securities after such LLC Class B Preferred Securities have been called for redemption.

### **Miscellaneous**

The Board is authorized and directed to conduct the affairs of the LLC in such a way that (1) the LLC will not be considered an investment company under the 1940 Act and (2) the LLC will not be treated as an association or as a "publicly traded partnership" (within the meaning of Section 7704 of the Code) taxable as a corporation for United States federal income tax purposes. In this connection, the Board is authorized to take any action, not inconsistent with applicable law or the LLC Agreement, that the Board determines in its discretion to be necessary or desirable for such purposes, so long as such action does not adversely affect the interests of the holders of the LLC Class B Preferred Securities.

## DESCRIPTION OF THE SUBORDINATED GUARANTEES

The following summary of the material terms and provisions of the Class B Guarantee and the Trust Guarantee does not purport to be complete and is subject to, and qualified in its entirety by reference to, the Class B Guarantee and the Trust Guarantee.

### General

The Bank will irrevocably and unconditionally agree in the Class B Guarantee and in the Trust Guarantee, on a subordinated basis, to pay in full to the holders of LLC Class B Preferred Securities and the holders of Trust Securities, respectively, the Subordinated Guarantee Payments to the extent set forth therein, as and when due, regardless of any defense, right of set-off or counterclaim that the LLC or the Trust may have or assert, other than the defense of payment. The Bank's obligations under the Subordinated Guarantees are several and independent of the obligations of the LLC with respect to the LLC Class B Preferred Securities or the obligations of the Trust with respect to the Trust Securities.

To the extent and for the amount not otherwise paid in accordance with the terms of the Trust Securities, the Bank will be liable as principal and debtor under the Trust Guarantee to make the following Subordinated Guarantee Payments pursuant to the terms thereof (without duplication) with respect to the Trust Securities: (1) distributions on the Trust Securities that are due and payable (or deemed payable) with respect to distributions of Dividends on the LLC Class B Preferred Securities; (2) the Redemption Price with respect to any Trust Securities called for redemption by the Trust; (3) upon liquidation of the Trust, the €1,000 liquidation preference per Trust Security; and (4) Additional Amounts, if any, by the Trust on any payment referred to in (1), (2) or (3), plus, in each case, interest accrued thereon from the date of making the claim under the Trust Guarantee, subject to the limitations set forth therein.

To the extent and for the amount not otherwise paid in accordance with the terms of the LLC Class B Preferred Securities, the Bank will be liable as principal and debtor under the Class B Guarantee to make the following Subordinated Guarantee Payments pursuant to the terms thereof (without duplication) with respect to the LLC Class B Preferred Securities: (1) Dividends that have been declared (or deemed declared) on the LLC Class B Preferred Securities; (2) the Redemption Price with respect to any LLC Class B Preferred Securities called for redemption by the LLC; (3) upon liquidation of the LLC, the €1,000 liquidation preference per LLC Class B Preferred Security; and (4) LLC Additional Amounts, if any, by the LLC on any payment referred to in (1), (2) or (3), plus, in each case, interest accrued thereon from the date of making the claim under the Class B Guarantee, subject to the limitations set forth therein.

Notwithstanding the restrictions on the declaration and payment of Dividends by the LLC, the Bank will be permitted to make payments to the Trust, as holder of the LLC Class B Preferred Securities under the Trust Guarantee, or to holders of the Trust Preferred Securities under the Trust Guarantee, or otherwise in its discretion; *provided, however*, that the Bank will be prohibited from making any Subordinated Guarantee Payment so long as a Shift Event has occurred and is continuing; and *provided further, however*, that, notwithstanding the foregoing, if (A) dividends or other distributions are declared or paid or (B) certain redemptions, repurchases or other acquisitions are made by the Bank or any Subsidiary, as the case may be, on or in respect of any Parity Securities or by the Bank on or in respect of any Junior Securities, the Bank will be required to make a Subordinated Guarantee Payment in respect of Required Dividends on the LLC Class B Preferred Securities at the times and in the amounts described in "Description of the LLC Securities—LLC Class B Preferred Securities—Dividends".

If payment of the amounts described above cannot be made by reason of any limitation referred to above, such amounts will be payable *pro rata* in proportion to the amounts that would have been payable but for such limitation.

The Subordinated Guarantees are intended to provide the holders thereof, as nearly as possible, with rights to Dividends and on liquidation or redemption rights equivalent to those to which the holders thereof would have been entitled if the LLC Class B Preferred Securities or the Trust Securities, as the case may be, were issued directly by the Bank.

### **Ranking**

Subject to applicable law, the Bank's obligations under the Subordinated Guarantees constitute unsecured obligations and will rank subordinate and junior to indebtedness of the Bank (other than any instrument or contractual right effectively ranking *pari passu* with the Subordinated Guarantees) and senior to all its share capital.

### **Payment of Guarantor Additional Amounts**

All Subordinated Guarantee Payments in respect of the LLC Class B Preferred Securities and the Trust Securities made by or on behalf of the Bank will be made without withholding or deduction for or on account of any Relevant Tax payable by or on behalf of the Bank, unless the withholding or deduction of such Relevant Tax is required by law. In that event, the Bank will pay such additional amounts ("Guarantor Additional Amounts") as may be necessary in order that the net amounts received by the holders of the LLC Class B Preferred Securities or Trust Securities, as applicable (or a third party on the holder's behalf) after such withholding or deduction will equal the amount that would have been received in respect of the LLC Class B Preferred Securities or the Trust Securities, as the case may be, in the absence of such withholding or deduction, except that no such Guarantor Additional Amounts will be payable to a holder (or a third party on the holder's behalf) with respect to any LLC Class B Preferred Securities or Trust Securities, as the case may be, to the extent that such Relevant Tax is imposed or levied by virtue of such holder (or the beneficial owner of such LLC Class B Preferred Securities or Trust Securities, as the case may be) (1) having some connection with the Relevant Jurisdiction, other than being a holder (or beneficial owner) of such LLC Class B Preferred Securities or Trust Securities, as the case may be, or (2) not having made a declaration of non-residence in, or other lack of connection with, the Relevant Jurisdiction or any similar claim for exemption, if the Bank or its agent has provided the beneficial owner of such Trust Securities or LLC Class B Preferred Securities, as the case may be, or its nominee with at least 60 days' prior written notice of an opportunity to make such a declaration or claim.

### **Enforcement**

The Property Trustee, on behalf of the holders of the LLC Class B Preferred Securities and the Trust Preferred Securities, may enforce the Class B Guarantee directly against the Bank. If the Property Trustee fails to enforce its rights under the Class B Guarantee after a holder of the LLC Class B Preferred Securities or the Trust Preferred Securities, as the case may be, has made a written request, such holder may directly institute a legal proceeding against the Bank to enforce the Property Trustee's rights under the Class B Guarantee without first initiating any legal proceeding against the Property Trustee, the LLC, the Trust, or any other person or entity. Pursuant to the Class B Guarantee, the Bank will waive any right or remedy to require that any action be brought against the Property Trustee, the LLC, the Trust or any other person or entity before proceeding against the Bank.

### **Certain Covenants of the Bank**

#### ***Issuance of Preference Shares and Subordinated Guarantees***

The Bank will agree under each of the Subordinated Guarantees that it will not issue any preferred securities or preferred or preference shares ranking senior to its obligations under the Subordinated Guarantees. Moreover, the Bank will agree that it will not issue any guarantee in respect of any preferred securities or preferred or preference shares issued by any Subsidiary of the Bank ranking senior to its obligations under the Subordinated Guarantees unless the holders of the Trust Preferred Securities and the LLC Class B Preferred Securities are given

such rights and entitlements so that the Trust Preferred Securities and the LLC Class B Preferred Securities rank *pari passu* with any such guarantee.

#### ***Payment of Dividends***

The Bank will agree under the Subordinated Guarantees that if any amount due and payable under the Class B Guarantee in respect of any Dividends on the LLC Class B Preferred Securities or under the Trust Guarantee in respect of related distribution of Dividends on the Trust Preferred Securities in respect of the most recent Dividend Period, as the case may be, has not been paid, the Bank will pay such amount *pro rata* with any dividend or other payment made by the Bank or any Subsidiary on any Parity Securities and prior to any dividend or other payment made by the Bank on any Junior Securities.

#### ***Maintenance of Ownership and Existence of the LLC and the Trust***

The Bank will agree under each of the Subordinated Guarantees that for so long as any Trust Preferred Securities or LLC Class B Preferred Securities remain outstanding, (1) 100 per cent. of the LLC Class A Preferred Securities will be held by the Bank acting through the Branch or another branch of the Bank and (2) 100 per cent. of the Trust Common Securities and the LLC Common Securities will be held by the Bank acting through the Branch or another branch of the Bank or, with the prior approval of the Bank of Italy, if then required, a subsidiary of the Bank that is deemed to be a "company controlled by the parent company" within the meaning of Rule 3a-5 under the 1940 Act.

The Bank will agree under the Class B Guarantee that for so long as any of the LLC Class B Preferred Securities are outstanding, the Bank will not permit, or take any action to cause, the dissolution, liquidation or winding up or termination of the LLC, unless the Bank is itself in liquidation and, if then required, the approval of the Bank of Italy to such action has been received and all claims under the Class B Guarantee shall have been paid in full. The Bank will agree under the Trust Guarantee that for so long as any of the Trust Preferred Securities are outstanding, the Bank will not permit, or take any action to cause, the dissolution, liquidation, winding up or termination of the Trust, unless a Trust Special Event occurs or the Bank is itself in liquidation and, if then required, the approval of the Bank of Italy to such action has been received and all claims under the Trust Guarantee shall have been paid in full.

See also "Antonveneta Capital Trust II" and "Antonveneta Capital L.L.C. II" for certain additional covenants to be made by the Bank.

#### **No Assignment**

The Bank will agree under the Class B Guarantee that it may not assign its obligations under the Class B Guarantee without the prior approval of the holders of at least a majority in aggregate liquidation amount of the LLC Class B Preferred Securities then eligible to vote, except in the case of merger, de-merger ("*scissione*") under Italian law, consolidation or a sale of substantially all of its assets, where the Bank is not the surviving entity. The Bank will agree under the Trust Guarantee that it may not assign its obligations under the Trust Guarantee without the prior approval of the holders of at least a majority in aggregate liquidation amount of the Trust Preferred Securities then eligible to vote, except in the case of merger, de-merger under Italian law, consolidation or a sale of substantially all of its assets, where the Bank is not the surviving entity.

#### **Termination**

The Subordinated Guarantees shall terminate and be of no further force and effect from the earliest of (1) the payment of the Redemption Price for all Trust Preferred Securities or purchase and cancellation of all Trust Preferred Securities, (2) if the Trust Preferred Securities are no longer outstanding but clause (1) is not satisfied, the payment of the Redemption Price for all LLC Class B Preferred Securities or purchase and cancellation of all LLC

Class B Preferred Securities, (3) full payment of the €1,000 liquidation preference per Trust Preferred Security for all Trust Preferred Securities plus any unpaid distributions (to the extent payable or deemed payable) and any Additional Amounts thereon, or (4) if the Trust Preferred Securities are no longer outstanding but clause (1) is not satisfied, full payment of the €1,000 liquidation preference per LLC Class B Preferred Security for all LLC Class B Preferred Securities plus any unpaid Dividends (to the extent declared or deemed declared) and any LLC Additional Amounts thereon; *provided, however*, that the Subordinated Guarantees will continue to be effective or will be reinstated, as the case may be, if at any time payment of any sums paid under the LLC Class B Preferred Securities, the Trust Preferred Securities or the Subordinated Guarantees must be restored by a holder thereof for any reason whatsoever.

#### **Amendment**

Except for those changes provided for in the next paragraph (in which case no approval will be required) and changes to the provisions of the Subordinated Guarantees in respect of the Subordinated Guarantee Payments and the circumstances under which Dividends are deemed to have been declared (in which case approval of each holder of the LLC Class B Preferred Securities and the Trust Securities is required), the Subordinated Guarantees may be modified only with the prior approval of the holders of not less than 66  $\frac{2}{3}$  per cent. of the LLC Class B Preferred Securities and not less than 66  $\frac{2}{3}$  per cent. of the Trust Securities (excluding any LLC Class B Preferred Securities and Trust Securities, as the case may be, held by the Bank or any of its affiliates, other than LLC Class B Preferred Securities or Trust Securities purchased or acquired by the Bank or its affiliates in connection with transactions effected by or for the account of customers of the Bank or any of its affiliates in connection with the distribution or trading of or market-making in connection with such securities and except those persons (other than affiliates of the Bank) to whom the Bank or any of its subsidiaries have pledged LLC Class B Preferred Securities or Trust Securities may vote with respect to such pledged securities pursuant to the terms of such pledge).

The Subordinated Guarantees may be amended without the consent of the holders of the Trust Securities or LLC Securities to (1) cure any ambiguity, (2) correct or supplement any provision in the Subordinated Guarantees that may be defective or inconsistent with any other provision of the Subordinated Guarantees, (3) add to the covenants, restrictions or obligations of the Bank, (4) conform to any change in the 1940 Act or the rules or regulations thereunder, or (5) modify, eliminate and add to any provision of the Subordinated Guarantees to such extent as may be necessary or desirable; *provided* that no such amendment shall have a material adverse effect on the rights, preferences or privileges of the holders of the Trust Securities or LLC Class B Preferred Securities.

If either Subordinated Guarantee is amended, notice of the amendment will be provided to the holders of the Trust Preferred Securities in the manner indicated under "Description of the Trust Securities—Notices". A copy of the amended Subordinated Guarantee will be made available to holders as indicated in "General Listing Information—Available Documents".

#### **Governing Law; Submission to Jurisdiction**

The Subordinated Guarantees will be governed by New York law, except that the subordination provisions thereof will be governed by the laws of the Republic of Italy.

In respect of enforcement of the Subordinated Guarantees, the Bank will appoint the Branch as its agent for service of process and will agree to submit to the non-exclusive jurisdiction of any U.S. Federal District Court and New York State court sitting in the Borough of Manhattan, in The City of New York, New York, over any action or proceeding arising out of a breach of or relating to the enforcement of the Subordinated Guarantees to the extent such court has subject matter jurisdiction over the controversy. The Bank will agree that all claims in respect of any such action or proceeding may be heard and determined in such United States Federal District Court or New York State court, as the case may be. The Bank will also agree to irrevocably waive to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding.

## DESCRIPTION OF THE INITIAL SUBORDINATED NOTES

The following summary of the material terms and provisions of the Initial Subordinated Notes does not purport to be complete and is subject to, and qualified in its entirety by reference to, the Initial Subordinated Notes.

### General

All of the proceeds from the issuance of the LLC Securities will be used by the LLC to purchase the Initial Subordinated Notes issued by the Branch. The purchase of the Initial Subordinated Notes by the LLC will occur contemporaneously with the issuance of the LLC Class B Preferred Securities. The LLC will have the right to permit the substitution of new subordinated indebtedness for the Initial Subordinated Notes, or to invest in new subordinated indebtedness, under the circumstances described below.

Any subordinated debt securities issued by an Eligible Borrower, including the Initial Subordinated Notes, are referred to in this Offering Memorandum as the "Subordinated Notes" and will constitute unconditional, unsecured subordinated obligations of the Bank acting through the Branch and will rank in right of payment after all present and future indebtedness of the Bank and the Branch (including those deriving from Upper Tier 2 and Lower Tier 2 instruments issued, or that will be issued, by the Bank or its Subsidiaries), other than those deriving from any instrument or contractual right effectively ranking *pari passu* with the obligation deriving from the Subordinated Notes, and senior to all the Bank's share capital.

If the Bank and the Branch become subject to certain liquidation proceedings under Italian law (including, *inter alia*, *Liquidazione Coatta Amministrativa*), the holders of the Initial Subordinated Notes may, to the extent that such Initial Subordinated Notes have not become due by operation of law, declare the principal amount of such Initial Subordinated Notes to be immediately due and payable, together with accrued interest to but excluding the date of repayment. Otherwise, the holders of the Initial Subordinated Notes will not have any right to accelerate the payment of principal thereunder.

Decisions with respect to enforcement of the Subordinated Notes, and actions to be taken by the LLC upon a default by any Eligible Borrower thereunder, will be made by the Independent Director, acting on behalf of the Property Trustee, as holder of the LLC Class B Preferred Securities.

The Initial Subordinated Notes will mature on December 31, 2100 (*provided, however*, that if the corporate life of the Bank extends beyond such date, such maturity may be extended by mutual consent of the LLC and the Branch).

### Interest

Interest on the Subordinated Notes will accrue and be payable in arrears at (i) the floating rate of 3.10 per cent. per annum above EURIBOR of the principal amount thereof to but excluding September 27, 2011 and (ii) thereafter at a floating rate per quarter of 4.65 per cent. per annum above EURIBOR of the principal amount thereof on the same dates as the quarterly Dividend Payment Dates of the Trust Preferred Securities and the LLC Class B Preferred Securities.

Interest on the Initial Subordinated Notes will be mandatorily due and payable on the Dividend Payment Dates of the Trust Preferred Securities and the LLC Class B Preferred Securities unless and to the extent that Dividends on the LLC Class B Preferred Securities are not (or would not be) mandatorily due and payable on the Dividend Payment Date corresponding to such interest payment date. If interest on the Initial Subordinated Notes on an interest payment date is not mandatorily due and payable, then interest payable on the related interest payment date will be limited as and to the same extent with respect to Dividends on the LLC Class B Preferred Securities.

It is expected that the aggregate principal amount of the Initial Subordinated Notes will be such that the aggregate interest income paid on the Initial Subordinated Notes on any interest payment date will be sufficient to make the aggregate Dividend payments on the LLC Class B Preferred Securities on a corresponding Dividend Payment Date.

### **Redemption**

The payment of interest on the Initial Subordinated Notes will not be deferrable. The Initial Subordinated Notes may be redeemed by the related Eligible Borrower (with the prior approval of the Bank of Italy, if then required), at its option, at any time, in whole or in part, at unpaid principal amount thereof plus interest accrued but unpaid to the date fixed for redemption plus Subordinated Note Additional Amounts (as defined below) thereon, if any.

### **Payment of Subordinated Note Additional Amounts**

All payments in respect of the Initial Subordinated Notes made by or on behalf of the Branch will be made without withholding or deduction for or on account of any Relevant Tax payable by or on behalf of the Branch, unless the withholding or deduction of such Relevant Tax is required by law. In that event, the Branch will pay, as further interest, such additional amounts ("Subordinated Note Additional Amounts") as may be necessary in order that (A) the net amounts received by the holder of the Subordinated Notes, (B) the net amount received by each LLC Class B Preferred Securityholder, and (C) where the Trust is the LLC Class B Preferred Securityholder, then the net amount received by each beneficial owner of the Trust Preferred Securities, after such withholding or deduction, will equal the amount that would have been received (X) by the LLC in respect of the Initial Subordinated Notes (or by a third party on the holder's behalf), (Y) by such LLC Class B Preferred Securityholder in respect of the LLC Class B Preferred Securities (or by a third party on such LLC Class B Preferred Securityholder's behalf) and (Z) by such beneficial owner in respect of the Trust Preferred Securities (or by a third party on such Trust Preferred Securityholder's behalf), in the absence of such withholding or deduction on the interest on the Initial Subordinated Notes, on the Dividends on the LLC Class B Preferred Securities or on the distribution on the Trust Preferred Securities, except that no such Subordinated Note Additional Amounts will be payable to a holder of Initial Subordinated Notes (or to a third party on the holder's behalf) with respect to any Initial Subordinated Notes to the extent that such Relevant Tax is imposed or levied by virtue of such holder (or the beneficial owner of such Initial Subordinated Notes) (1) having some connection with the Relevant Jurisdiction, other than being a holder (or beneficial owner) of such Initial Subordinated Notes, such LLC Class B Preferred Securities or such Trust Preferred Securities or (2) not having made a declaration of non-residence in, or other lack of connection with, the Relevant Jurisdiction or any similar claim for exemption, if the Bank, the Branch or its agent has provided the beneficial owner of such Initial Subordinated Notes, such LLC Class B Preferred Securities or such Trust Preferred Securities or its nominee with at least 60 days' prior written notice of an opportunity to make such a declaration or claim.

### **Subordination**

The Initial Subordinated Notes will constitute an unconditional unsecured subordinated obligation of the Bank, acting through the Branch, and in liquidation of the Branch, it will rank behind the claims of all present and future indebtedness of the Bank and before the claims of the Bank's share capital.

### **Substitution of Eligible Borrowers and Reinvestment of Proceeds**

The Bank, acting through the Branch, will, subject to the satisfaction of the following conditions, have the right upon 30 days' prior notice to the holders of LLC Preferred Securities to substitute for the Branch as obligor under the Initial Subordinated Notes, or substitute for the Initial Subordinated Notes other qualifying subordinated indebtedness issued by, the Bank or another non-Italian branch of the Bank. In addition, the Bank, acting through the Branch, may cause the LLC to exchange the Initial Subordinated Notes for other subordinated indebtedness, or invest the proceeds upon maturity of the Initial Subordinated Notes into other subordinated debt of an Eligible



Borrower. The Bank, acting through the Branch, may make such substitution or cause such reinvestment only if: (1) each rating agency, if any, then rating the Trust Preferred Securities or if not outstanding, the LLC Class B Preferred Securities, if then rated, has informed the Bank in writing that such substitution or reinvestment will not result in a downgrading of the rating then assigned by such rating agency; (2) there would be no adverse tax consequences to the Bank as a consequence of such substitution or reinvestment; (3) there would be no adverse withholding tax consequences to holders of the Trust Preferred Securities or the LLC Class B Preferred Securities; (4) the Bank receives written confirmation from the Bank of Italy approving such substitution or reinvestment and that the LLC Class B Preferred Securities would continue to qualify as Tier 1 capital of the Bank on a consolidated and non-consolidated basis; (5) neither the Trust nor the LLC would be considered an investment company under the 1940 Act; (6) the LLC would continue to be treated as a partnership and the Trust would be classified as a grantor trust, in each case, for U.S. Federal income tax purposes; and (7) the Bank, acting through the Branch, delivers to the Independent Director an officers' certificate and an opinion of counsel stating that all conditions precedent to the substitution or reinvestment have been complied with.

#### **Governing Law**

The Subordinated Notes will be governed by New York law, except that their subordination provisions will be governed by the laws of the Republic of Italy.

## TAXATION

The following is a summary of the principal United States Federal and Italian income tax considerations to Non-United States Holders of the purchase, ownership and disposition of the Trust Preferred Securities. This summary addresses only the tax consequences to a person that, for United States Federal tax purposes, is a foreign corporation, an estate that is not subject to United States Federal income tax on its income without regard to the source thereof, or a Trust if no court within the United States is able to exercise primary supervision over the administration of the Trust and no United States person has the authority to control all substantial decisions of the Trust (a "Non-United States Holder") and that acquires Trust Preferred Securities pursuant to the Offering at the initial offering price. It does not address issues that would be relevant to individuals. This summary is based upon the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations, Internal Revenue Service rulings and pronouncements and judicial decisions as of the date hereof, all of which are subject to change (possibly with retroactive effect). In addition, the summary does not address the U.S. Federal or Italian income tax treatment of a Trust Preferred Securityholder on or after the occurrence of a Shift Event. The Italian tax summary is based upon legislation in effect as of the date hereof and administrative practice, all of which are subject to change (possibly with retroactive effect).

**PROSPECTIVE PURCHASERS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE UNITED STATES FEDERAL AND ITALIAN INCOME TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE TRUST PREFERRED SECURITIES, AS WELL AS THE EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS.**

### **Italian Income Tax Considerations**

#### ***Payments Under the Trust Preferred Securities***

The following is a general summary of Italian taxes applicable as of the date hereof in relation to payments made under the Trust Preferred Securities. As the securities will not be sold to individual investors, the following description does not discuss taxation of individuals.

No Italian withholding tax applies on payments on Trust Preferred Securities received by beneficial owners who are not residents of Italy for tax purposes, except as indicated below for payments made by the Bank under the Subordinated Guarantees.

The following analysis is based on the assumption that no redemption occurs within eighteen months from the date of issue. The Italian tax treatment of the Trust Preferred Securities concerning payments received by Italian residents will depend upon the qualification under Italian law principles of such securities.

#### ***Treatment as Bonds***

Should the Trust Preferred Securities be qualified as bonds or similar securities, payments in respect of the Trust Preferred Securities received by Italian resident beneficial owners would be qualified as interest and subject to the following regime:

Interest (including (1) any difference between the redemption amount and the issue price and (2) in the case of sales for consideration of the Trust Preferred Securities, any proceeds that represent accrued and expressly or implicitly recognized interest and other proceeds in respect of sales of the Trust Preferred Securities) paid, among others, to the following persons and/or entities is subject to a 12.5 per cent. substitute tax (*imposta sostitutiva*):

- (i) Real estate investment funds. This withholding tax is required to be levied by the Italian bank or financial intermediary, if any, used to channel the interest in Italy. If interest is received directly by

the recipient, it will be required to declare the interest in its tax return and subject it to the 12.5 per cent. final substitute tax.

- (ii) Noncommercial entities, government entities and tax exempt organizations in relation to which the same considerations as in (i) above apply as to the application of *imposta sostitutiva* in the absence of an interposing collecting agent. The substitute tax is final and discharges all tax liabilities of the recipient in connection with the interest payments received.

Interest paid to investment funds, SICAVs ("*società d'investimento a capitale variabile*") or pension funds (for income to become payable as of January 1, 2001) is not subject to any withholding tax. The interest is included in the aggregate income of these funds which is subject to a substitute tax at the rate of 12.5 per cent. (11 per cent. in the case of pension funds).

No "entrance" withholding tax is applicable to interest paid to resident corporate entities, partnerships and non-limited liability corporate entities and permanent establishments of foreign entities. Interest will generally be included in the aggregate income subject to tax pursuant to their ordinary rules. A tax credit may be available for taxes withheld abroad, if any.

#### ***Treatment as Shares***

Should the Trust Preferred Securities be qualified as shares, payments in respect of the Trust Preferred Securities received by Italian resident beneficial owners would be subject to the following regime:

- (i) Dividends paid to corporate entities and commercial partnerships will not be subject to withholding tax. In such cases, the dividends received will form part of the aggregate income of the holders of Trust Preferred Securities and will be subject to taxation pursuant to their ordinary regime. Therefore, the holders must include the gross amount of the dividends in their income tax returns and will benefit from a tax credit equal in principle to tax payments or withholding taxes applied outside Italy, if any.
- (ii) Dividends paid to pension funds (for dividends matured and paid after January 1, 2001), investment funds or SICAVs will form part of the aggregate income of the funds calculated on the difference between the value of the assets at the beginning of the tax year and the adjusted value of the assets at the end of the same tax year. The income is subject to a 12.5 per cent. substitute tax or 11 per cent. in case of pension funds.
- (iii) Dividends paid to real estate investment funds are subject to a definitive 12.5 per cent. withholding tax. This withholding tax is required to be levied by the Italian bank or financial intermediary, if any, used to channel the dividends in Italy. If dividends are received directly by the funds, they will be required to declare the dividends in their tax returns and subject them to the 12.5 per cent. substitute tax.
- (iv) Dividends paid to entities exempt from corporate income tax are subject to a definitive 27% withholding tax. This withholding tax is required to be levied by the Italian bank or financial intermediary, if any, used to channel the Dividends in Italy. Where payments on the Trust Preferred Securities are not received through an account maintained with an Italian bank or an Italian financial intermediary and as such no withholding tax is applied, the recipient will be required to declare the payments in its tax return and subject them to a final substitute tax at a rate of 27%.

### ***Treatment as Atypical Securities***

"Atypical Securities" are defined as securities different from shares or bonds, which do not guarantee the restitution of the initial investment at maturity or in case of early redemption. Should the Trust Preferred Securities be qualified as Atypical Securities, payments in respect of the Trust Preferred Securities received by Italian resident beneficial owners would be subject to the following regime:

- (i) Payments made to corporate entities and commercial partnerships are not subject to any Italian "entrance" withholding tax. In such cases, the payments received will form part of the aggregate income of the recipient and will be subject to taxation pursuant to their ordinary regime. Therefore, the recipients must include the gross amount of the payments in their income tax returns and will benefit from a tax credit equal in principle to tax payments or withholding taxes applied outside Italy, if any.
- (ii) Payments made to any other Italian resident entity will be subject to a 27 per cent. final withholding tax. This withholding tax is required to be levied by the Italian bank or financial intermediary (or permanent establishment in Italy of a foreign entity), if any, used to channel the interest in Italy, or applied directly by the recipient in its income tax return.

Due to the lack of any tax authority rulings on the tax treatment of Trust Preferred Securities, there may be no assurance that payments will be subject to the 12.5 per cent. Italian tax rather than the 27 per cent. withholding tax.

### ***Payments Made by the Bank as Guarantor***

In accordance with one interpretation of Italian fiscal law, payments of liabilities equal to interest or dividends (depending on the classification of the Trust Preferred Securities as described above) made by the Bank under the Subordinated Guarantees may be subject in certain circumstances to a final withholding tax at a rate of 12.5 per cent. if the holders are Italian resident real estate investment funds, pension funds, investment funds or SICAVs. If a holder of Trust Preferred Securities is a non-commercial entity, payments to such holder under the Subordinated Guarantees may be subject to withholding tax at a rate of 12.5 per cent. on account of income tax due thereon and then should be included in the beneficial owner's taxable income and subject to the tax rates applicable to it. In the case of any Italian resident holder of Trust Preferred Securities who is a corporate entity, payments under the Subordinated Guarantees should not be subject to any withholding tax and should form part of such holder's aggregate taxable business income subject to tax in Italy according to the ordinary tax provisions.

However, in the case of a Trust Preferred Securityholder which is a non-resident of Italy, withholding tax may be applied at a rate of 27 per cent. (if the payment is treated as a dividend) or 12.5 per cent. (if treated as interest). Double taxation treaties entered into by the Republic of Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax.

In case of payments under the Guarantee to non-Italian residents who are resident for tax purposes in tax haven countries listed by Ministerial Decree April 24, 1992, final withholding tax should in any case apply at a rate of 27%.

In accordance with another interpretation, any such payments will be treated in certain circumstances as a payment by the Trust and subject to the tax treatment described in the preceding paragraphs.

## ***Capital Gain***

### ***Italian investment funds, SICAVs, pension funds***

Capital gain deriving from the sale of the Trust Preferred Securities is included in the taxable income of these funds and subject to a 12.5 per cent. (11 per cent. in the case of pension funds) tax rate based on the global yearly performance.

### ***Corporate investors***

The gains realized by corporations and commercial partnerships will form part of the aggregate income subject to the ordinary corporate tax. The gains are calculated as the difference between the acquisition cost and the sale price. Certain tax rate reductions may be available in certain circumstances.

### ***Receipt of LLC Class B Preferred Securities upon the Liquidation of the Trust***

Under certain circumstances, as described under the caption "Description of Trust Securities—Redemption", LLC Class B Preferred Securities may be distributed to Trust Preferred Securityholders upon liquidation of the Trust. Such a distribution to an Italian resident holder would be treated as a taxable event for Italian tax purposes.

For the LLC Class B Preferred Securities received in exchange, the tax basis will be equal to the redemption value of the Trust Preferred Securities.

### ***Early Redemption***

The early redemption of the Trust Preferred Securities will create a capital gain/capital loss computed considering the difference between the redemption value and the purchase price (with certain adjustments) to be treated in connection with the fiscal regime of each holder as described above.

## ***Transfer Tax***

Italian transfer tax does not apply, *inter alia*, to the following:

- (i) contracts concluded in regulated markets regarding the transfer of the Trust Preferred Securities;
- (ii) off-market transactions regarding the Trust Preferred Securities, provided that such transactions occur either:
  - between resident or non-resident banks or other investment companies regulated by Legislative Decree No. 58 of February 24, 1998, or stock brokers; or
  - between the qualified intermediaries mentioned above, on the one hand, and non-Italian residents, on the other hand; or
  - between the qualified intermediaries mentioned above, on the one hand, and investment funds or SICAVs, on the other hand; and
- (iii) contracts related to public sale offering ordered to the listing on regulated markets or involving financial instruments already listed on regulated markets. Where applicable, upon transfer of Trust Preferred Securities by or to Italian residents, Italian transfer tax will be payable at a rate between a maximum of LIT 140 and a minimum of LIT 9 per LIT 100,000 (or fraction thereof) of the price

at which the Trust Preferred Securities are transferred. In certain cases, Italian transfer tax due in respect of transfers of Trust Preferred Securities cannot exceed LIT 1,800,000 for each transaction.

#### **United States Federal Income Taxation**

Under current law and assuming compliance with the terms of the Trust Agreement, the Trust will be treated as a grantor trust and not as an association taxable as a corporation for United States Federal income tax purposes. As a result, the Trust will not be subject to tax and each beneficial owner of Trust Preferred Securities will be considered the beneficial owner of a corresponding amount of LLC Class B Preferred Securities held by the Trust. If the Trust is liquidated, the exchange of Trust Preferred Securities for a corresponding amount of LLC Class B Preferred Securities represented by the Trust Preferred Securities will not be a taxable event.

Under current law and assuming compliance with the LLC Agreement, the LLC will be treated as a partnership for United States Federal income tax purposes and not as an association or a publicly traded partnership taxable as a corporation. Accordingly, the LLC will not be subject to tax and each holder will be required to take into account its allocatable share of items of income, gain, loss and deduction of the LLC in computing its United States Federal income tax liability, regardless of whether distributions are made to the holder.

The Company intends to operate so that it will not be engaged in a trade or business within the United States for United States Federal income tax purposes and to invest in Subordinated Notes the income from which will be exempt from United States Federal withholding tax. Accordingly, a Non-United States Holder will not be subject to United States Federal income tax, or withholding tax, on any income in respect of Trust Preferred Securities or LLC Class B Preferred Securities, or on gain realized by the Non-United States Holder on the sale or exchange of Trust Preferred Securities or LLC Class B Preferred Securities, unless such income or gain is effectively connected with the conduct by the Non-United States Holder of a trade or business in the United States.

#### ***Information Returns and Holder Certification***

Prior to March 31 each year, the LLC will furnish each beneficial owner of LLC Class B Preferred Securities that are not represented by Trust Preferred Securities (or, if such LLC Class B Preferred Securities are held by a nominee or custodian that does not comply with the requirements described in the next paragraph, such nominee or custodian) with a copy of the relevant Schedule K-1 to the LLC's annual tax return on Internal Revenue Service ("IRS") Form 1065, setting forth such beneficial owner's allocable share of the LLC's income for the prior calendar year. Copies of each Schedule K-1 will be provided to the IRS. The LLC will not furnish beneficial owners of Trust Preferred Securities with Schedules K-1. The Trust will, however, report to the IRS the amount of interest and/or dividend income allocated each year to each beneficial owner of Trust Preferred Securities, in accordance with applicable law.

Any person who holds LLC Class B Preferred Securities as a nominee for another person is required to disclose to the LLC (a) the name, address and taxpayer identification number of the nominee and each person for whom it holds LLC Class B Preferred Securities; (b) whether each person for whom it holds LLC Class B Preferred Securities is (i) a person who is not a United States person (as defined in U.S. treasury regulations), (ii) a foreign government, an international organization or any wholly owned agency or instrumentality of either of the foregoing, or (iii) a tax-exempt entity; (c) the amount and description of LLC Class B Preferred Securities held, acquired or transferred each year for each person for whom it holds LLC Class B Preferred Securities and (d) unless the LLC has given the nominee a written authorization to omit such information, certain other information regarding LLC Class B Preferred Securities that it holds as nominee, including the methods of acquisition and costs thereof and net proceeds from transfers. Brokers and financial institutions that hold LLC Class B Preferred Securities may be required to furnish additional information about themselves and any LLC Class B Preferred Securities they may hold for their own accounts. Penalties may be imposed for failure to comply with these requirements. These requirements do not apply to nominee holders of Trust Preferred Securities.

United States information reporting and backup withholding (including providing forms W-8) generally will not apply to payments of dividends on Trust Preferred Securities or LLC Class B Preferred Securities, or to a payment made outside the United States of the proceeds of a sale of Trust Preferred Securities or LLC Class B Preferred Securities through an office outside the United States of a non-United States broker. However, United States information reporting requirements (but not backup withholding) will apply to payments of dividends on Trust Preferred Securities or LLC Class B Preferred Securities that an investor holds through a broker, custodian, nominee or other agent (i) that is a United States person, (ii) that derives 50% or more of its gross income for a specified three-year period from the conduct of a trade or business in the United States, (iii) that is a "controlled foreign corporation" as to the United States, or (iv) with respect to payments made after December 31, 2000, that is a foreign partnership, if at any time during its tax year, one or more of its partners are U.S. persons (as defined in United States treasury regulations) who in the aggregate hold more than 50% of the income or capital interest in the partnership or if, at any time during its tax year, such foreign partnership is engaged in a United States trade or business, or to a payment made outside the United States of the proceeds of a sale of Trust Preferred Securities through an office outside the United States of such a broker, unless the broker, custodian, nominee or other agent, as applicable, has documentary evidence in its files that the holder or beneficial owner is a non-United States person or the holder or beneficial owner otherwise establishes an exemption.

## **PLAN OF DISTRIBUTION**

Subject to the terms and conditions set forth in a Purchase Agreement (the "Purchase Agreement") among BAPV, the LLC, the Trust, ABN AMRO Bank N.V. and Merrill Lynch International (the "Initial Purchasers"), the Trust has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase all of the Trust Preferred Securities offered hereby. In the Purchase Agreement, the Initial Purchasers have agreed, subject to the terms and conditions set forth therein, to purchase all the Trust Preferred Securities offered by this Offering Memorandum if any of the Trust Preferred Securities are purchased.

The Bank and the LLC have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities incurred in connection with this Offering Memorandum and under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make in respect of those liabilities.

The Initial Purchasers are offering the Trust Preferred Securities, subject to prior sale, when, as and if issued to and accepted by them, subject to certain conditions contained in the Purchase Agreement, such as the receipt by the Initial Purchasers of officers' certificates and legal opinions. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

### **Commissions and Discounts**

In the Purchase Agreement, subject to the conditions thereof, the Initial Purchasers have agreed to purchase the Trust Preferred Securities at a price per Trust Preferred Security of €990.00 (which is net of the Initial Purchasers' commission described below). The Initial Purchasers have advised the Bank and the Trust that they propose initially to offer the Trust Preferred Securities directly to investors at the price to investors set forth on the cover page of this Offering Memorandum. After the initial offering, the price to investors may be changed.

The Bank will pay the Initial Purchasers a commission of €10.00 per Trust Preferred Security, or €2,200,000 in total.

### **Selling Restrictions**

#### ***U.S. Selling Restrictions***

The Initial Purchasers have agreed that they will offer or sell Trust Preferred Securities only in offshore transactions in reliance on Regulation S. Each purchaser of Trust Preferred Securities offered hereby in making its purchase will be deemed to have made certain representations, warranties and agreements as set forth under "Notice to Investors".

Neither the LLC nor the Trust has been registered under the 1940 Act and neither the Trust Preferred Securities nor the LLC Class B Preferred Securities have been registered under the Securities Act, and neither may be offered or sold except in certain transactions exempt from the registration requirements of the 1940 Act and the Securities Act. See "Notice to Investors".

In addition, until 40 days after the commencement of the offering, an offer or sale of Trust Preferred Securities within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

The Initial Purchasers have agreed that, except as permitted by the Purchase Agreement, they will not offer or sell the Trust Preferred Securities (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date, within the United States or to, or for the account or benefit of, U.S. Persons, and they will send to each dealer to which they sell Trust Preferred Securities during the



distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Trust Preferred Securities within the United States or to, or for the account or benefit of, U.S. Persons.

#### ***UK Selling Restrictions***

The Initial Purchasers have represented and agreed that they (or any affiliate):

- have not offered or sold, and prior to or during the period of six months from the issue of the Trust Preferred Securities, will not offer or sell any Trust Preferred Securities to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, as amended;
- have complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by them in relation to the Trust Preferred Securities in, from or otherwise involving the United Kingdom; and
- have only issued or passed on, or will only issue or pass on, in the United Kingdom any document received by them in connection with the issue of the Trust Preferred Securities to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996, as amended, or is a person to whom such document may otherwise lawfully be issued or passed on.

#### ***Italian Selling Restrictions***

The offering of the Trust Preferred Securities has not been cleared by *Commissione Nazionale per la Società e la Borsa* ("CONSOB") (the Italian securities authority) pursuant to Italian securities legislation and, accordingly, no Trust Preferred Securities may be offered, sold or delivered, nor may copies of this Offering Memorandum or of any other document relating to the Trust Preferred Securities be distributed in the Republic of Italy, except:

- (i) to professional investors ("*operatori qualificati*"), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of July 1, 1998, as amended;
- (ii) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998 (the "Financial Services Act") and Article 33, first paragraph, of CONSOB Regulation No. 11971 of May 14, 1999, as amended; or
- (iii) to an Italian resident who submits an unsolicited offer to purchase the Trust Preferred Securities.

Any offer, sale or delivery of the Trust Preferred Securities or distribution of copies of this Offering Memorandum or any other document relating to the Trust Preferred Securities in the Republic of Italy under (i) or (ii) above must be:

- 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 and Legislative Decree No. 385 of September 1, 1993, as amended (the "Banking Act"); and
- in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy pursuant to which the issue or the offer of securities in the Republic of Italy may need to be preceded and followed by an appropriate notice to be filed with the Bank of Italy depending, *inter*

*alia*, on the aggregate value of the securities issued or offered in the Republic of Italy and their characteristics.

#### **New Issue of Securities**

The Trust Preferred Securities are a new issue of securities with no established trading market. Application has been made to list the Trust Preferred Securities on the Luxembourg Stock Exchange. Neither BAPV nor the Initial Purchasers can assure the liquidity of the trading market for the Trust Preferred Securities.

#### **Other Relationships**

The Initial Purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with BAPV. The Initial Purchasers have received customary fees and commissions for these transactions.

## GENERAL LISTING INFORMATION

### Listing

Application has been made to list the Trust Preferred Securities on the Luxembourg Stock Exchange.

If approved for listing on the Luxembourg Stock Exchange, the Trust Preferred Securities will be considered debt securities for the purposes of the Luxembourg Stock Exchange rules and regulations and will appear in the Official Price List of the Luxembourg Stock Exchange. The LLC Agreement, the Trust Agreement and Certificate of Trust of the Trust and the legal notice relating to the issue of the Trust Preferred Securities will be deposited prior to the listing with the Registrar of the District Court in Luxembourg (*Greffier en Chef du Tribunal d'Arrondissement de et à Luxembourg*), where such documents are available for inspection and where copies can be obtained upon request. As long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange, an agent for making payments and effecting transfers on the Trust Preferred Securities will be maintained in Luxembourg.

Subject to the restrictions on transfer under "Notice to Investors" and the selling restrictions described in "Plan of Distribution—Selling Restrictions" required in order to comply with applicable law, according to Chapter VI, Article 3, point A/II/2 of the rules and regulations of the Luxembourg Stock Exchange, the Trust Preferred Securities shall be freely transferable and therefore no transaction made on the Luxembourg Stock Exchange shall be canceled.

### Consents

The Trust has obtained all necessary consents, approvals and authorizations in connection with the issue of the Trust Preferred Securities. The issuance of the Trust Preferred Securities was authorized by the Trustees of the Trust on June 27, 2001. The issuance of the Subordinated Guarantees was authorized by the Bank on October 16, 2000.

### No Material Change

Except as otherwise disclosed in this Offering Memorandum, there has been no material adverse change in the financial position of the Bank and the Group since December 31, 2000.

There has been no material adverse change in the financial position of the Trust since its creation and formation on June 19, 2001.

There has been no material adverse change in the financial position of the LLC since its creation and formation on June 19, 2001.

### Litigation

None of the Group, the Trust or the LLC is or has been involved in any legal or arbitration proceedings, nor, to the Group's, the Trust's or the LLC's knowledge, are there any legal or arbitration proceedings pending or threatened involving the Group, the Trust or the LLC which may have or have had during the twelve months prior to the date of this Offering Memorandum a material adverse effect on the financial position of the Group on a consolidated basis.

## Available Documents

Copies of the LLC Agreement, the Trust Agreement and the Certificate of Trust of the Trust, the Subordinated Guarantees, the Services Agreement, the Agency Agreement and documents incorporated by reference in this Offering Memorandum, including the financial statements listed under "Financial Statements Incorporated By Reference", are available free of charge at the specified office of the Paying Agent in Luxembourg (so long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange) and at the registered office of the Bank for so long as any of the Trust Preferred Securities remain outstanding. Neither the Trust nor the LLC will publish financial statements.

## Clearing Systems and Settlement

The Trust Preferred Securities have been accepted for clearance through the facilities of Euroclear and Clearstream, Luxembourg.

The ISIN for the Trust Preferred Securities is XS0131739236 and the Common Code is 13173923.

## Notices

All notices shall be deemed to have been given upon (i) the mailing by first class mail, postage prepaid, of such notices to holders of the Trust Preferred Securities at their registered addresses as recorded in the register of holders of Trust Preferred Securities and (ii) so long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange and it is required by the rules of the Luxembourg Stock Exchange, publication of notice to the holders of Trust Preferred Securities in English in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, if such publication is not practicable, in one other leading English language newspaper with general circulation in Europe, such newspaper being published on each business day in morning editions, whether or not it shall be published in Saturday, Sunday or holiday editions provided that, so long as securities are held in registered global form and if the rules of the Luxembourg Stock Exchange would so permit, notifications may be made through Euroclear and Clearstream, Luxembourg in place of publication in a newspaper as described above.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

The selected consolidated financial information in this section has been derived from the Bank's Audited Consolidated Financial Statements. The selected consolidated financial information set out below differs from the Bank's Audited Consolidated Financial Statements in that certain line items have been reclassified in order to present them in a format that more closely follows international practice. The reclassification, however, does not affect consolidated net income and consolidated shareholders' equity in any of the periods presented. See "Presentation of Financial Information".

In this section, whenever information is presented in thousands of euros, rounded to one decimal point, amounts of less than one thousand have been omitted. Accordingly, the totals and/or subtotals, if any, of each column of figures may not be equal to the totals and/or subtotals of the individual items as shown, due to roundings.

	1998 Audited	As of December 31, 1999 Audited	2000 Audited
	<i>(in thousands of Euro, except per share data)</i>		
<b>Consolidated Income Statement Data:</b>			
Net Interest Income	556,531.9	788,736.6	1,057,562.7
Non-interest Income	360,254.0	530,301.6	790,042.2
Total Income	916,785.9	1,319,038.2	1,847,604.9
Non-interest Expenses	(499,312.6)	(802,810.0)	(1,021,038.9)
Net Operating Profit	417,473.3	516,228.1	826,566.0
Value Adjustments to Tangible and Intangible Fixed Assets	(107,836.7)	(161,506.4)	(218,105.4)
Provisions for Liabilities and Charges	(1,259.6)	(847.0)	(2,277.1)
Net Provisions for Credit Risks	(118,826.4)	(293,785.0)	(270,157.6)
Write-ups (Write-downs) of Equity Investments	(17,071.0)	(11,266.0)	3,481.4
Income Before Non-recurring Items, Taxes, Provision for General Banking Risks and Minority Interests	172,479.6	48,823.8	339,507.4
Non-recurring Profit (Loss)	14,536.2	152,753.5	95,717.0
Taxes	(98,116.5)	(117,417.0)	(186,845.8)
Provision for General Banking Risks	(1,291.1)	0.0	(15,968.3)
Minority Interests	(3,097.2)	(10,201.1)	(30,923.9)
Net Income for the Period	84,510.9	73,959.2	201,486.4
<b>Per Share Data</b>			
Net Income (unconsolidated) per Ordinary Share (Euro), Average	.687	.627	.958
Dividends per Ordinary Share (Euro)	.387	.400	.439
Average Number of Ordinary Shares (Millions) <sup>(1)</sup>	134.0	166.0	202.4

- (1) Calculated by dividing by two the sum of the number of ordinary shares outstanding at year-end for the year in question and the number of ordinary shares outstanding at the end of previous year.

	1998 Audited	As of December 31, 1999 Audited	2000 Audited
<i>(in thousands of Euro, except per share data)</i>			
<b>Consolidated Balance Sheet Data</b>			
<i>Assets</i>			
Cash in Hand, Balances with Central Banks & Post Offices	102,003.3	266,696.3	232,326.6
Loans to Banks	1,960,763.2	3,382,841.2	2,699,661.2
Loans to Customers	15,790,437.8	25,418,154.5	29,247,991.8
Trading and Investing Securities	1,679,972.8	5,632,333.8	4,193,339.3
Equity Investments	238,576.2	495,377.7	570,262.9
Tangible Fixed Assets	397,015.4	898,192.4	861,338.0
Intangible Fixed Assets	403,861.0	1,159,492.2	1,234,319.1
Other Assets	838,514.3	3,185,134.3	3,803,585.8
Total Assets	21,411,144.1	40,438,222.5	42,842,824.6
<i>Liabilities and Shareholders' Equity</i>			
Due to Banks	2,437,122.4	6,448,752.0	6,751,108.1
Due to Customers and Securities Issued	15,777,723.1	26,458,097.8	27,756,643.4
Subordinated Liabilities	597,573.7	1,776,814.7	1,704,303.1
Other Liabilities	1,148,386.8	3,159,617.7	3,726,549.0
Total Liabilities	19,960,806.1	37,843,282.2	39,938,603.6
Minority Interests	56,532.4	403,952.4	271,815.4
Shareholders' Equity	1,393,805.6	2,190,987.8	2,632,405.6
Total Liabilities and Shareholders' Equity	21,411,144.1	40,438,222.5	42,842,824.6
<b>Per Share Data</b>			
Shareholders' Equity Per Ordinary Share at Period-End (Euro)	9.9	11.5	12.3
Number of Ordinary Shares at Period-End (millions)	141.2	190.7	214.0

	1998 Audited	As of December 31, 1999 Audited	2000 Audited
		%	
<b>Consolidated Income Statement</b>			
<i>Profitability Ratios</i>			
Net Interest Margin to Total Income	60.7%	59.8%	57.2%
Non-Interest Income to Total Income	39.3%	40.2%	42.8%
Cost/Income Ratio <sup>(1)</sup>	54.5%	60.9%	55.3%
Return on Average Assets <sup>(2)</sup>	0.4%	0.2%	0.5%
Return on Average Shareholders' Equity of BAPV Only <sup>(3)(4)</sup>	7.3%	5.9%	8.9%
Return on Average Shareholders' Equity of the Antonveneta Group <sup>(3)</sup>	6.6%	4.1%	9.0%
Adjusted Return on Average Shareholders' Equity of BAPV Only <sup>(4)(5)</sup>	8.8%	7.2%	10.9%
Adjusted Return on Average Shareholders' Equity of the Antonveneta Group <sup>(6)</sup>	9.3%	6.0%	11.7%

(1) Cost/income ratio represents non-interest expenses as a percentage of total income.

(2) Return on average assets represents the sum of net income and provision for general banking risks as a percentage of average total assets. Average total assets represents the sum of total assets at the end of such year and at the end of the prior year, divided by two.

(3) Return on average shareholders' equity represents the sum of net income and provision for general banking risks as a percentage of average shareholders' equity. Average shareholders' equity represents the sum of shareholders' equity at the end of such year and at the end of the prior year, divided by two.

(4) As far as shareholders' equity for BAPV only is concerned, figures utilized in the calculations for the ratios in this line take consideration of the allocation of net income (i.e. distribution of dividends).

(5) Adjusted return on average shareholders' equity represents the sum of net income and provision for general banking risks as a percentage of average shareholders' equity, adjusted to exclude the amortization of goodwill arising from past acquisitions. Amortization of goodwill arising from past acquisitions equaled LIT 36,632 million in 1998, LIT 43,230 million in 1999, LIT 89,102 million in 2000 for BAPV. Average shareholders' equity represents the sum of shareholders' equity at the end of such year and at the end of the prior year, divided by two.

(6) Adjusted return on average shareholders' equity represents the sum of net income and provision for general banking risks as a percentage of average shareholders' equity, adjusted to exclude the amortization of goodwill arising from past acquisitions. Amortization of goodwill arising from past acquisitions equaled LIT 68,680 million in 1998, LIT 66,533 million in 1999, LIT 126,526 million in 2000 for the Antonveneta Group. Average shareholders' equity represents the sum of shareholders' equity at the end of such year and at the end of the prior year, divided by two.

	At and for the year ended December 31,		
	1998 Audited	1999 Audited	2000 Audited
<i>(figures in thousands of Euro, except ratios)</i>			
<b>Consolidated Credit Quality Data:</b>			
Total Accumulated Reserve for Credit Risks (at year-end or 1st half end):			
Accumulated Write-Downs of Loans <sup>(1)</sup>	739,757.4	2,024,341.6	1,705,327.8
Reserve for Loan Losses <sup>(2)</sup>	12,187.3	35,138.7	32,717.5
Total Accumulated Reserve for Credit Risks	751,944.7	2,059,480.3	1,738,045.3
Provisions for Credit Risks in the year (or six-month period):			
Write-Downs of Loans	(139,156.7)	(317,513.6)	(300,937.4)
Write-Backs of Loans	31,904.1	37,860.9	42,706.9
Net Provisions for Credit Risks	(107,252.6)	(279,652.6)	(258,230.5)
Provisions to Reserve for Loan Losses	(11,573.8)	(14,132.3)	(11,927.1)
Non-Performing Loans (including both Due From Banks and Due From Customers):			
Gross Non-Performing Loans	1,203,843.0	3,347,977.3	2,753,787.4
<i>of which: Due From Banks</i>	0.0	9,087.6	9,413.5
<i>of which: Due From Customers</i>	1,203,843.0	3,338,889.7	2,744,374.0
Write-Downs of Non-Performing Loans	664,692.4	1,764,366.5	1,508,522.6
<i>of which: on Due From Banks</i>	0.0	5,415.1	5,740.9
<i>of which: on Due From Customers</i>	664,692.4	1,758,951.5	1,502,781.6
Net Non-Performing Loans	539,150.5	1,583,610.8	1,245,264.9
<i>of which: Due From Banks</i>	0.0	3,672.5	3,672.5
<i>of which: Due from Customers</i>	539,150.5	1,579,938.2	1,241,592.3
Doubtful Loans (including both Due From Banks and Due From Customers):			
Gross Doubtful Loans	406,250.7	642,171.3	820,671.7
<i>of which: Due From Banks</i>	0.0	0.0	20,394.4
<i>of which: Due From Customers</i>	406,250.7	642,171.3	800,277.3
Write-Downs of Doubtful Loans	14,802.7	81,811.4	116,862.3
<i>of which: on Due From Banks</i>	0.0	0.0	0.0
<i>of which: on Due From Customers</i>	14,802.7	81,811.4	116,862.3
Net Doubtful Loans	391,448.0	560,359.9	703,809.4
<i>of which: Due From Banks</i>	0.0	0.0	20,394.4
<i>of which: Due From Customers</i>	391,448.0	560,359.9	683,415.0

#### **Credit Quality Ratios**

Non-Performing Loans (Due From Customers only) as a percentage of Total Loans to Customers<sup>(3)</sup>

Gross	7.3%	12.2%	8.9%
Net	3.4%	6.2%	4.2%

(1) As detailed in Section 1 of the "Notes" to the financial statements (actually, December 31, 1998 data are derived from details shown in the "Notes" supplementing December 31, 1999 financial statements).

(2) Item 90 of the Liabilities side of Balance Sheet.

(3) Taking into consideration that as of December 31, 1999 figures of Total Loans to Customers include also Leased Assets for an amount of LIT 30,178 million (equivalent to Euro 15.6 million).



## **FINANCIAL INFORMATION RELATING TO THE BANK**

The Bank's Audited Consolidated Financial Statements and the Bank's Audited Non-Consolidated Financial Statements are incorporated by reference into this Offering Memorandum. See "Financial Statements Incorporated by Reference".

The Bank's Audited Consolidated Financial Statements and the Bank's Audited Non-Consolidated Financial Statements have been audited by Grant Thornton. The foregoing audit reports are attached to the relevant financial statements of the Bank.

Copies of the above-mentioned financial statements, incorporated by reference into this Offering Memorandum, are available free of charge at the specified office of the Paying Agent in Luxembourg (so long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange) and at the registered office of the Bank for so long as any of the Trust Preferred Securities remain outstanding.

### **Annual Financial Statements**

The following tables present the consolidated and non-consolidated balance sheets and income statements of the Bank as at and for the years ended December 31, 1998, December 31, 1999 and December 31, 2000.

In these tables, being information presented in euros or in thousands of euros (rounded to one decimal point, where so indicated), amounts of less than one euro – or than one thousand, as the case may be – have been omitted. Accordingly, the totals and/or subtotals of each column of figures may not be equal to the totals and/or subtotals of the individual items as shown, due to roundings.

**BANCA ANTONIANA POPOLARE VENETA S.C.p.a. a r.l.**  
**CONSOLIDATED BALANCE SHEETS**

	1998	As at December 31,		2000
	Audited	1999	Audited	Audited
	<i>(in thousands of Euro, rounded to one decimal point)</i>			
<b>ASSETS</b>				
Cash on hand and deposits with Central Banks & Post Offices	102,003.3	266,696.3		232,326.6
Treasury Bills & other bills eligible for refinancing with Central Banks	494,527.1	953,857.2		638,278.2
Due from banks	1,960,763.2	3,382,841.2		2,699,661.2
(a) demand	820,709.9	705,217.8		470,203.0
(b) other	1,140,053.3	2,677,623.5		2,229,458.2
Due from customers	15,790,437.8	25,418,154.5		29,247,991.8
of which:				
- loans and advances with administered third party funds	2,574.5	9,995.0		9,365.9
Bonds and other debt securities:	1,145,632.1	4,603,962.8		3,296,464.3
(a) public entities	528,550.3	2,708,618.1		1,405,944.4
(b) banks	412,034.5	1,039,387.6		766,145.7
of which: own debt bonds				
(c) financial institutions	10,863.2	452,761.2		501,824.6
of which: own debt securities				
(d) other issuers	194,184.2	403,195.8		622,549.5
Shares and other equities	39,813.7	74,513.9		258,596.7
Equity investments	238,576.2	494,933.6		569,947.9
(a) valued at net equity	29,598.1	40,577.0		53,753.9
(b) other	208,978.1	454,356.6		516,194.0
Investments in Antonveneta Group companies		444.2		315.0
(a) valued at net equity				
(b) other		444.2		315.0
Positive consolidation differences	188,624.5	763,236.0		134,574.2
Positive differences in shareholders' equity	7,008.8	7,825.9		3,054.3
Intangible assets	208,227.7	388,430.3		1,096,690.5
of which:				
- set-up costs	8,153.8	3,978.8		13,222.3
- goodwill	149,694.0	245,342.3		961,667.5
Tangible Fixed Assets	397,015.4	898,192.4		861,338.0
Capital subscribed, unpaid				
of which:				
- recalled capital				
Own shares or holdings (at nominal value)				
Other Assets	680,403.6	2,738,479.1		3,285,463.8
Accrued income and prepaid expenses	158,110.7	446,655.2		518,122.0
(a) accrued income	132,501.1	403,252.6		458,014.6
(b) prepaid expenses	25,609.5	43,402.5		60,107.3
of which: issue discount on securities	205.5	729.8		2,078.7
<b>TOTAL ASSETS</b>	<b>21,411,144.1</b>	<b>40,438,222.5</b>		<b>42,842,824.6</b>

**BANCA ANTONIANA POPOLARE VENETA S.C.p.a. a r.l.**  
**CONSOLIDATED BALANCE SHEETS**

	1998 Audited	As at December 31, 1999 Audited	2000 Audited
<i>(in thousands of Euro, rounded to one decimal point)</i>			
<b>LIABILITIES</b>			
Due to banks			
(a) demand	379,190.4	451,432.4	1,022,004.2
(b) time or with notice	2,057,932.0	5,997,319.6	5,729,103.9
Due to customers			
(a) demand	6,782,282.4	13,370,345.0	14,108,526.7
(b) time or with notice	1,176,797.1	1,513,200.1	1,579,773.5
Securities issued			
(a) bonds	5,744,111.6	8,293,225.1	9,011,600.1
(b) certificates of deposit	1,947,883.8	2,387,705.2	2,004,796.3
(c) other	126,648.1	893,622.3	1,051,946.8
Funds administered on behalf of third parties			
3,234.1		10,119.5	10,483.6
Other Liabilities			
565,948.4		1,628,852.4	1,945,291.7
Accruals and deferred income			
299,782.1		530,011.3	625,918.9
(a) accruals	159,607.9	362,933.9	430,856.2
(b) deferred income	140,174.1	167,077.4	195,062.7
Provision for severance indemnities			
126,758.1		306,394.3	309,186.7
Provision for contingencies and other charges:			
(a) pension fund	3,781.0	457,465.1	473,797.0
(b) provision for taxation	120,817.9	168,094.3	305,218.3
(c) consolidation provisions for future risks and burdens			
(d) other provisions	15,878.0	22,396.7	22,760.8
Reserve for loan losses			
12,187.3		35,138.7	32,717.5
Provision for general banking risks			
9,854.5		9,854.5	25,822.8
Subordinated liabilities			
597,573.7		1,776,814.7	1,704,303.1
Negative differences of consolidation			
1,145.5			1,174.4
Negative differences of net equity			
Minority interests			
56,532.4		403,952.4	271,815.4
Share Capital			
364,688.3		492,525.3	552,733.9
Share premium account			
522,450.9		1,159,457.1	1,385,599.6
Reserves			
335,437.7		366,328.0	388,161.8
- legal reserve	100,868.7	110,081.2	120,493.0
- reserves for own shares			
- statutory reserve	172,313.8	181,527.4	191,938.1
- other reserves	62,255.3	74,719.4	75,730.7
Revaluation reserves			
71,907.8		82,671.8	72,409.3
Net Profit (loss) brought forward			
4,955.4		6,191.8	6,191.8
Net Profit (loss) for the year			
84,510.9		73,959.2	201,486.4
<b>TOTAL LIABILITIES</b>	<b>21,411,144.1</b>	<b>40,438,222.5</b>	<b>42,842,824.6</b>
<b>Guarantees and Commitments</b>			
Guarantees granted			
1,555,819.7		2,777,480.4	3,160,358.3
of which:			
- bank acceptances	64,312.8	32,224.3	54,522.4
- other guarantees	1,491,506.9	2,745,256.1	3,105,836.0
Commitments			
408,645.0		1,575,417.7	2,014,880.2
of which: funding repurchase agreements			
Commitments on credit derivatives			
			477,695.3

**BANCA ANTONIANA POPOLARE VENETA S.C.p.a. a r.l.**  
**CONSOLIDATED INCOME STATEMENTS**

	Year ended December 31,		
	1998	1999	2000
	Audited	Audited	Audited
	<i>(in thousands of Euro, rounded to one decimal point)</i>		
Interest income and similar revenue	1,372,834.4	1,589,331.5	2,377,128.2
of which:			
- on loans to customers	1,156,749.3	1,286,586.6	1,845,727.1
- on debt securities	106,655.6	174,823.8	273,285.2
Interest expense and similar charges	(823,211.6)	(806,252.7)	(1,327,681.6)
of which:			
- amounts owed to customers	(209,827.1)	(178,545.3)	(329,304.3)
- on debts evidenced by certificates	(443,200.1)	(412,769.4)	(396,948.3)
Dividends and other income:	6,909.2	5,657.8	8,116.1
(a) from shares and other variable-yield securities	692.6	1,271.0	3,372.5
(b) from equity investments	6,216.6	4,386.8	4,743.7
(c) from participations in group member companies			
Commissions income	214,342.0	390,118.6	570,980.8
Commissions expense	(22,614.6)	(33,717.4)	(51,574.9)
Profits (losses) from financial transactions	103,840.9	49,005.6	107,292.9
Other operating income	66,445.3	130,048.5	174,093.0
Administrative expenses	(499,312.6)	(802,810.0)	(1,021,038.9)
(a) staff expenses	(290,606.7)	(476,200.1)	(625,677.2)
of which			
- wages and salaries	(205,846.3)	(337,147.2)	(446,081.9)
- social security contributions	(58,472.7)	(95,043.6)	(119,638.3)
- severance indemnities	(15,508.2)	(25,972.1)	(37,442.6)
- retirement benefits	(10,779.5)	(18,037.3)	(22,514.4)
(b) other administrative expenses	(208,705.9)	(326,609.9)	(395,361.7)
Value re-adjustments to tangible and intangible fixed assets	(107,836.7)	(161,506.4)	(218,105.4)
Provisions for liabilities and charges	(1,259.6)	(847.0)	(2,277.1)
Other operating expenses	(1,759.6)	(5,153.7)	(10,749.5)
Write-downs on loans and provisions for guarantees and commitments	(139,156.7)	(317,513.6)	(300,937.4)
Write-backs on loans and provisions for guarantees and commitments	31,904.1	37,860.9	42,706.9
Provisions to reserve for loans losses	(11,573.8)	(14,132.3)	(11,927.1)
Value adjustments on fixed financial assets	(17,739.8)	(11,511.8)	(4,688.9)
Write-back of fixed financial assets	55.8	137.9	470.5
Profit (loss) from investments evaluated on a net equity basis	613.0	107.9	7,699.9
<b>Profit (loss) on ordinary activities</b>	<b>172,479.6</b>	<b>48,823.8</b>	<b>339,507.4</b>
Non-recurring income	32,546.6	200,702.4	136,609.0
Non-recurring charges	(18,010.4)	(47,948.9)	(40,892.0)
<b>Net non-recurring income (expenses)</b>	<b>14,536.2</b>	<b>152,753.5</b>	<b>95,717.0</b>
Use of consolidation reserve for future risks and charges			
Variation in the provision for general banking risks	(1,291.1)		(15,968.3)
Income taxes for the year	(98,116.5)	(117,417.0)	(186,845.8)
Minority interest in result for the year	(3,097.2)	(10,201.1)	(30,923.9)
<b>Net Profit (loss) for the year</b>	<b>84,510.9</b>	<b>73,959.2</b>	<b>201,486.4</b>

**BANCA ANTONIANA POPOLARE VENETA S.C.p.a. a r.l.**  
**NON-CONSOLIDATED BALANCE SHEETS**

	1998 Audited	As at December 31, 1999 Audited	2000 Audited
	<i>(in Euro, rounded to one decimal point)</i>		
<b>ASSETS</b>			
Cash on hand and deposits with Central Banks & Post Offices	82,057,037.7	117,784,525.6	212,201,531.3
Treasury Bills & other bills eligible for refinancing with Central Banks	89,250,962.7	140,768,285.1	311,814,229.0
Due from banks	1,528,452,609.9	880,939,286.0	2,522,761,893.7
(a) demand	630,713,466.8	254,649,821.6	474,231,199.3
(b) other	897,739,143.1	626,289,464.4	2,048,530,694.4
Due from customers of which:	8,911,494,559.6	11,461,635,671.9	21,133,176,428.6
- <i>loans and advances with administered third party funds</i>	2,559,886.0	6,223,902.9	8,900,795.7
Bonds and other debt securities:	864,004,364.5	1,716,738,347.7	2,731,159,221.4
(a) public entities	292,308,993.7	864,344,271.3	923,514,048.9
(b) banks	431,432,511.7	485,610,002.6	764,590,486.2
<i>of which: own debt bonds</i>		46,919,928.4	41,178,614.1
(c) financial institutions	5,424,049.8	230,302,043.4	484,736,838.9
<i>of which: own debt securities</i>			
(d) other issuers	134,838,809.2	136,482,030.4	558,317,847.4
Shares and other equities	15,990,410.7	25,184,525.1	224,774,695.4
Equity investments	142,315,081.2	226,670,230.6	245,727,661.0
Investments in Antonveneta Group companies	741,927,066.8	1,671,089,559.5	586,018,417.8
Intangible Assets	192,034,289.1	323,348,581.1	1,082,474,541.6
<i>of which:</i>			
- <i>set-up costs</i>	5,930,285.6	3,327,158.8	12,636,591.2
- <i>goodwill</i>	144,961,141.9	269,800,561.4	960,632,036.9
Tangible Fixed Assets	296,678,917.5	355,972,812.7	758,436,729.4
Capital subscribed, unpaid			
Own shares or holdings			
Other Assets	474,966,559.1	790,167,734.6	3,089,016,689.3
Accrued income and prepaid expenses	47,979,076.3	58,645,357.7	218,178,599.4
(a) accrued income	46,194,654.3	50,643,026.4	186,509,438.4
(b) prepaid expenses	1,784,422.0	8,002,331.3	31,669,161.0
<i>of which: issue discount on securities</i>			1,320,000.0
<b>TOTAL ASSETS</b>	<b>13,387,150,935.2</b>	<b>17,768,944,917.5</b>	<b>33,115,740,637.9</b>

**BANCA ANTONIANA POPOLARE VENETA S.C.p.a. a r.l.**  
**NON-CONSOLIDATED BALANCE SHEETS**

	1998	As at December 31,		2000
	Audited	1999	Audited	Audited
	(in Euro, rounded to one decimal point)			
<b>LIABILITIES</b>				
Due to banks		1,583,650,168.0	2,022,121,454.8	5,868,555,722.8
(a) demand	576,130,955.4	518,969,063.2	804,819,895.5	
(b) time or with notice	1,007,519,212.5	1,503,152,391.6	5,063,735,827.3	
Due to customers		5,854,823,459.6	7,529,065,282.4	13,753,382,537.4
(a) demand	5,354,625,849.6	7,109,195,588.7	12,775,443,148.3	
(b) time or with notice	500,197,610.0	419,869,693.6	977,939,389.0	
Securities issued		3,341,685,481.2	3,696,386,362.7	6,410,018,829.3
(a) bonds	1,579,981,097.7	2,055,911,170.1	4,292,075,065.1	
(b) certificates of deposit	1,683,119,654.4	1,509,171,383.2	1,797,902,302.8	
(c) other	78,584,729.1	131,303,809.4	320,041,461.4	
Funds administered on behalf of third parties		3,219,989.2	7,292,770.2	10,062,151.1
Other Liabilities		418,352,436.6	527,979,528.1	1,639,947,204.4
Accruals and deferred income		84,089,922.6	72,490,052.5	216,819,858.5
(a) accruals	64,557,490.8	48,181,927.0	165,543,854.7	
(b) deferred income	19,532,431.9	24,308,125.4	51,276,003.8	
Provision for severance indemnities		89,929,374.7	116,318,825.3	275,083,292.5
Provision for contingencies and other charges:		94,277,874.4	122,809,265.2	742,669,315.8
(a) pension fund	3,780,841.0	3,928,672.4	473,797,137.9	
(b) provision for taxation	88,375,720.8	106,197,574.7	248,004,499.9	
(c) other provisions	2,121,312.6	12,683,018.2	20,867,678.0	
Reserve for loan losses		8,457,363.1		
Provision for general banking risks		9,854,505.7	9,854,505.7	25,822,845.0
Subordinated liabilities		490,634,054.1	1,444,525,298.6	1,551,636,677.7
Share Capital		364,688,292.4	492,525,254.7	552,733,802.6
Share premium account		522,451,107.3	1,159,456,929.2	1,385,599,645.2
Reserves		353,161,193.3	387,029,731.5	412,602,182.4
- legal reserve	100,868,652.6	110,081,891.1	120,492,869.3	
- reserves for own shares				
- statutory reserve	172,314,047.3	181,527,285.8	191,938,264.0	
- other reserves	79,978,493.3	95,420,554.6	100,171,049.1	
Revaluation reserves		70,787,908.0	70,787,908.0	70,787,908.0
Net Profit (loss) brought forward		4,955,420.3	6,191,966.8	6,191,966.8
Net Profit (loss) for the year		92,132,384.7	104,109,781.7	193,826,698.4
<b>TOTAL LIABILITIES</b>	<b>13,387,150,935.2</b>	<b>17,768,944,917.5</b>	<b>33,115,740,637.9</b>	
<b>Guarantees and Commitments</b>				
Guarantees granted		1,403,152,899.0	1,557,691,068.7	2,858,179,196.2
of which:				
- bank acceptances	64,226,426.9	36,719,066.6	56,775,085.6	
- other guarantees	1,338,926,472.1	1,520,972,002.1	2,801,404,110.6	
Commitments		123,887,268.1	67,241,187.8	1,443,725,959.1
of which: funding repurchase agreements				
Commitments on credit derivatives				477,695,115.5

**BANCA ANTONIANA POPOLARE VENETA S.C.p.a. a r.l.**  
**NON-CONSOLIDATED INCOME STATEMENTS**

	1998 Audited	As at December 31, 1999 Audited	2000 Audited
	<i>(in Euro, rounded to one decimal point)</i>		
Interest income and similar revenue	828,897,438.0	775,246,237.3	1,754,176,535.4
of which:			
- on loans to customers	689,345,345.3	684,367,856.4	1,386,686,542.3
- on debt securities	58,135,151.4	66,349,960.5	228,329,366.7
Interest expense and similar charges of which:	(434,889,907.6)	(294,707,319.7)	(875,061,015.0)
- on amounts owed to customers	(169,878,490.2)	(110,344,773.0)	(290,674,613.3)
- on debts evidenced by certificates	(175,299,889.6)	(112,782,608.8)	(245,428,409.4)
Dividends and other income:	24,620,772.2	19,984,675.4	32,551,048.4
(a) from shares and other variable-yield securities	538,676.5	615,308.8	2,760,361.5
(b) from equity investments	3,572,308.4	1,254,366.6	3,292,931.2
(c) from participations in group member companies	20,509,787.3	18,115,000.0	26,497,755.7
Commission income	171,586,701.8	237,509,964.2	475,111,289.7
Commission expense	(19,620,617.4)	(26,529,028.8)	(48,140,718.5)
Profits (losses) from financial transactions	90,764,819.4	42,457,354.0	91,276,943.3
Other operating income	53,569,531.7	59,459,828.8	130,295,695.0
Administrative expense	(380,198,401.2)	(454,317,754.0)	(876,259,246.2)
(a) staff expenses	(219,318,611.0)	(265,951,120.1)	(542,039,170.9)
of which:			
- wages and salaries	(156,423,302.5)	(191,542,681.6)	(390,223,727.6)
- social security contributions	(44,016,493.6)	(52,685,061.1)	(103,646,235.5)
- severance indemnities	(11,329,013.4)	(13,860,518.1)	(32,632,343.8)
- retirement benefits	(7,549,801.5)	(7,862,859.3)	(15,536,863.9)
(b) other administrative expenses	(160,879,790.2)	(188,366,633.9)	(334,220,075.3)
Value re-adjustments to tangible and intangible fixed assets	(78,722,267.8)	(97,654,342.9)	(185,453,092.4)
Provisions for liabilities and charges		(711,620.5)	(1,926,278.8)
Other operating expenses		(2,365,529.3)	(6,400,540.2)
Write-downs on loans and provisions for guarantees and commitments	(97,744,103.3)	(193,608,224.8)	(265,891,710.9)
Write-back on loans and provisions for guarantees and commitments	4,720,156.8	18,720,582.4	30,804,987.3
Provisions to reserve for loans losses			
Value adjustments on fixed financial assets	(6,269,769.2)	(3,645,933.5)	(4,186,472.7)
Write-back of fixed financial assets			
<b>Profit (loss) on ordinary activities</b>	<b>156,714,353.4</b>	<b>79,838,888.5</b>	<b>250,897,424.3</b>
Non-recurring income	15,900,270.8	125,721,699.8	130,703,204.5
Non-recurring charges	(12,894,666.2)	(24,034,237.4)	(35,335,686.9)
<b>Net non-recurring income (expenses)</b>	<b>3,005,604.6</b>	<b>101,687,462.4</b>	<b>95,367,517.7</b>
Variation in the provision for general banking risks			(15,968,339.3)
Income taxes for the year	(67,587,573.3)	(77,416,569.3)	(136,469,904.2)
<b>Net Profit (loss) for the year</b>	<b>92,132,384.7</b>	<b>104,109,781.7</b>	<b>193,826,698.4</b>

**BANCA ANTONIANA POPOLARE VENETA S.C.p.a. a r.l.**  
**RECLASSIFIED CONSOLIDATED INCOME STATEMENTS**

	1998	As at December 31, 1999	2000
		<i>(in thousands of Euro)</i>	
Interest receivable and similar income	1,372,834	1,589,332	2,377,128
Interest payable and similar charges	(823,212)	(806,253)	(1,327,682)
Dividends and other income	6,909	5,658	8,116
<b>NET INTEREST INCOME</b>	<b>556,532</b>	<b>788,737</b>	<b>1,057,563</b>
Commissions receivable	214,342	390,119	570,981
Commissions payable	(22,615)	(33,717)	(51,575)
Profit on financial transactions	103,841	49,006	107,293
Other operating income	66,445	130,048	174,093
Other operating expenses	(1,760)	(5,154)	(10,750)
<b>NET OTHER BANKING INCOME</b>	<b>360,254</b>	<b>530,302</b>	<b>790,042</b>
<b>NET INTERMEDIATION MARGIN</b>	<b>916,786</b>	<b>1,319,038</b>	<b>1,847,605</b>
Staff expenses	(290,607)	(476,200)	(625,677)
Other administrative expenses	(208,706)	(326,610)	(395,362)
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>(499,313)</b>	<b>(802,810)</b>	<b>(1,021,039)</b>
<b>OPERATING INCOME</b>	<b>417,473</b>	<b>516,228</b>	<b>826,566</b>
Value re-adjustments to tangible and intangible fixed assets	(107,837)	(161,506)	(218,105)
Provisions for liabilities and charges	(1,260)	(847)	(2,277)
Adjustments to loans and provisions for guarantees and commitments	(139,157)	(317,514)	(300,937)
Write-back to loans and provisions for guarantees and commitments	31,904	37,861	42,707
Provisions for bad and doubtful loans	(11,574)	(14,132)	(11,927)
Value adjustments on financial fixed assets	(17,740)	(11,512)	(4,689)
Write-back of financial fixed assets	56	138	470
Profit (Loss) from participations evaluated on a net equity basis	613	108	7,700
<b>PROFIT (LOSS) ON ORDINARY ACTIVITIES</b>	<b>172,480</b>	<b>48,824</b>	<b>339,507</b>
Extraordinary income/charges	14,536	152,753	95,717
Use of consolidation reserve for future risks and charges			
Variation of reserve for general banking risks	(1,291)		(15,968)
Income taxes for the year	(98,116)	(117,417)	(186,846)
Net profit (loss) due to third parties	(3,097)	(10,201)	(30,924)
<b>NET PROFIT (LOSS) FOR THE YEAR</b>	<b>84,511</b>	<b>73,959</b>	<b>201,486</b>



**BANCA ANTONIANA POPOLARE VENETA S.C.p.a. a r.l.**  
**RECLASSIFIED NON-CONSOLIDATED INCOME STATEMENTS**

	As at December 31,		
	1998	1999	2000
	<i>(in thousands of Euro)</i>		
Interest receivable and similar income	828,897	775,246	1,754,177
Interest payable and similar charges	(434,890)	(294,707)	(875,061)
Dividends and other income	24,621	19,985	32,551
<b>NET INTEREST INCOME</b>	<b>418,628</b>	<b>500,524</b>	<b>911,667</b>
Commissions receivable	171,587	237,510	475,111
Commissions payable	(19,621)	(26,529)	(48,141)
Profit on financial transactions	90,765	42,457	91,277
Other operating income	53,570	59,460	130,296
Other operating expenses		(2,366)	(6,401)
<b>NET OTHER BANKING INCOME</b>	<b>296,300</b>	<b>310,533</b>	<b>642,143</b>
<b>NET INTERMEDIATION MARGIN</b>	<b>714,929</b>	<b>811,056</b>	<b>1,553,809</b>
Staff expenses	(219,319)	(265,951)	(542,039)
Other administrative expenses	(160,880)	(188,367)	(334,220)
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>(380,198)</b>	<b>(454,318)</b>	<b>(876,259)</b>
<b>OPERATING INCOME</b>	<b>334,730</b>	<b>356,738</b>	<b>677,550</b>
Value re-adjustments to tangible and intangible fixed assets	(78,722)	(97,654)	(185,453)
Provision for liabilities and charges		(712)	(1,926)
Adjustments to loans and provisions for guarantees and commitments	(97,744)	(193,608)	(265,892)
Write-back to loans and provisions for guarantees and commitments	4,720	18,721	30,805
Provisions for bad and doubtful loans			
Value adjustments on financial fixed assets	(6,270)	(3,646)	(4,186)
<b>PROFIT ON ORDINARY ACTIVITIES</b>	<b>156,714</b>	<b>79,839</b>	<b>250,897</b>
Extraordinary income/expense	3,006	101,687	95,368
Variation in the provision for General Banking Risks			(15,968)
Income Taxes for the year	(67,588)	(77,417)	(136,470)
<b>NET PROFIT FOR THE YEAR</b>	<b>92,132</b>	<b>104,110</b>	<b>193,827</b>

**PRINCIPAL EXECUTIVE OFFICE OF THE TRUST**

17 State Street  
New York, New York 10004-1501  
USA

**PRINCIPAL EXECUTIVE OFFICE OF THE LLC**

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New York, New York 10004-1501  
USA

**REGISTERED OFFICE OF THE BANK**

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35131 Padua  
Italy

**PRINCIPAL EXECUTIVE OFFICE OF THE BRANCH**

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USA

**DELAWARE TRUSTEE**

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Route 273  
Newark, Delaware 19711  
USA

**PRINCIPAL PAYING AGENT AND  
CALCULATION AGENT**

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10A Boulevard Royale  
L-2093 Luxembourg

**LUXEMBOURG LISTING  
AND PAYING AGENT**

BNP Paribas Luxembourg  
10A Boulevard Royale  
L-2093 Luxembourg



**220,000 Trust Preferred Securities**

**Antonveneta Capital Trust II**

Noncumulative Floating Rate Guaranteed

Trust Preferred Securities

(Liquidation Preference €1,000 per Trust Preferred Security)  
guaranteed to the extent described herein by

Banca Antoniana Popolare Veneta S.C.p.a. a r.l.

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**OFFERING MEMORANDUM**

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**ABN AMRO**

**MERRILL LYNCH INTERNATIONAL**

June 27, 2001

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