

SELLA HOLDING BANCA S.p.A.

(incorporated with limited liability under the laws of the Republic of Italy)

€1,500,000,000

Euro Medium Term Note Programme

This Base Prospectus has been approved as a base prospectus issued in compliance with Directive 2003/71/EC (the “**Prospectus Directive**”) by the *Commission de Surveillance du Secteur Financier* (the “**CSSF**”) in its capacity as competent authority in Luxembourg for the purposes of the Prospectus Directive. Application has been made by Sella Holding Banca S.p.A. (the “**Issuer**”) for notes (“**Notes**”) issued under the €1,500,000,000 Euro Medium Term Note Programme (the “**Programme**”) described in this Base Prospectus during the period of twelve months after the date hereof to be listed on the official list and admitted to trading on the regulated market of the Luxembourg Stock Exchange. The Programme also allows for Notes to be unlisted or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

There are certain risks relating to the Issuer and the Notes which potential investors should ensure they fully understand. See “Risks Factors” on page 5.

Pursuant to the Programme, the Issuer may from time to time issue Notes in bearer form denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below). Notes issued under the Programme will not have denominations of less than €50,000. The aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €1,500,000,000 (or its equivalent in other currencies calculated as described herein).

Under current legislation in the Republic of Italy (“**Italy**”) in certain circumstances, payments of interest, premium or other income relating to Notes issued by the Issuer are subject to Italian substitute tax (*imposta sostitutiva*) at a rate of 12.5 per cent. In addition, Notes with an original maturity of less than 18 months or which qualify as atypical securities are subject to a withholding tax at the rate of 27 per cent. in respect of interest and premium (if any). The Issuer will not be liable to pay any additional amounts to Noteholders in relation to any substitute tax or withholding described above. For additional information, see “Taxation”.

Joint Arrangers

HVB Corporates & Markets

UBM - UniCredit Banca Mobiliare

Dealers

ABN AMRO

Banca IMI

BNP PARIBAS

Caboto

CALYON

Capitalia

Credit Suisse

Dexia Capital Markets

HVB Corporates & Markets

Natexis Banques Populaires

The Royal Bank of Scotland

UBM — UniCredit Banca Mobiliare

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IMPORTANT NOTICES

This Prospectus comprises a base prospectus for the purpose of Article 5(4) of the Prospectus Directive.

The Issuer accepts responsibility for the information contained in this Base Prospectus and to the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

The Issuer has confirmed to the Dealers named under “Subscription and Sale” below that this Base Prospectus (including for this purpose, each relevant Final Terms) contains all information which is (in the context of the Programme and the issue, offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme and the issue, offering and sale of the Notes) not misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing.

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

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

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see “Subscription and Sale”.

Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the “**Securities Act**”) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. For further details of restrictions on the distribution of this Base Prospectus and the offer or sale of Notes, see “Subscription and Sale”.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any

Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed €1,500,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under “Subscription and Sale”.

In this Base Prospectus, unless otherwise specified, references to “€”, “EUR” or “Euro” are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Communities, as amended.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In connection with the issue of any Tranche of Notes under the Programme, the Dealer(s) (if any) specified in the relevant Final Terms as the Stabilising Manager(s) (or any person acting for the Stabilising Manager(s)) may over-allot Notes (provided that, in the case of any Tranche of Notes to be admitted to trading on a regulated market of the European Economic Area, the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the relevant Tranche) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or any agent of the Stabilising Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if commenced, may be ended at any time and, if begun, must be brought to an end after the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

MARKET SHARE INFORMATION AND STATISTICS

This Base Prospectus contains information and statistics regarding the market share of the Group, which are derived from, or are based upon, the Issuer’s analysis of data obtained from the Bank of Italy. Such data have been reproduced accurately in this Base Prospectus and, as far as the Issuer is aware and is able to ascertain from information published by the Bank of Italy, no facts have been omitted which would render such reproduced information inaccurate or misleading.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. These factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

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

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate.

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Words and expressions defined in “Forms of the Notes” and “Terms and Conditions of the Notes” or elsewhere in this Base Prospectus have the same meaning in this section.

Risk relating to the Issuer

Competition in the Italian market

Competition is intense in all of the Group’s primary business areas in Italy. The Issuer derives nearly all of its income from its banking activities in Italy, a mature market characterised by increasing competition, which is currently having two main effects:

- (i) a progressive reduction in the differential between lending and borrower interest rates, which may result in the Issuer facing difficulties in maintaining its actual rate of growth in interest rate margins; and
- (ii) a progressive reduction in commissions and fees, particularly from dealing on behalf of third parties and orders collection, due to heavy competition on prices.

Both of the above factors may adversely affect the Issuer’s financial condition and result of operations.

In addition, downturns in the Italian economy could add to the competitive pressure through, for example, increased price pressure and lower business volumes for which to compete.

Geographical concentration of business

Generally, the commercial banks controlled by the Issuer have limited geographical coverage in Italy. Banca Sella S.p.A., the Issuer’s most important subsidiary, has a strong presence in the Piedmont region, although in the past ten years it has enlarged and developed its operations in other important Italian financial centres, establishing branches in Valle d’Aosta, Lombardy, Lazio, Emilia Romagna, Veneto, Liguria, Tuscany, Campania and Sardinia. The other commercial banks tend to operate on a regional basis: Banca Bovio Calderari S.p.A. operates in the Veneto and Trentino-Alto Adige regions, Banca Ardit Galati S.p.A. is active in Puglia, Campania and Molise and Banca di Palermo S.p.A. operates in Sicily.

As the Group’s nationwide coverage is less extensive in comparison to some of Italy’s larger banks, there is a correspondingly higher risk of over-concentration in certain geographical areas, such as the region of Piedmont. In addition, as the Group’s loan portfolio is geographically limited and concentrated in industries that mirror the local economy, any downturn in economic conditions affecting the principal geographical areas where the Group operates and the main industries in those areas may have a material adverse effect on the Issuer’s financial condition and results of operations.

Credit and market risk

To the extent that any of the instruments and strategies used by the Issuer to hedge or otherwise manage its exposure to credit or market risk are not effective, the Issuer may not be able to mitigate effectively its risk exposure in particular market environments or against particular types of risk. The Issuer's trading revenues and interest rate risk are dependent upon its ability to identify properly, and mark to market, changes in the value of financial instruments caused by changes in market prices or interest rates. The Issuer's financial results also depend upon how effectively the Issuer determines and assesses the cost of credit and manages its own credit risk and market risk concentration.

Changes in interest rates

Fluctuations in interest rates in Italy influence the Issuer's financial performance. The results of the Issuer's banking operations are affected by the Issuer's management of interest rate sensitivity and, in particular, changes in market interest rates. A mismatch of interest-earning assets and interest-bearing liabilities in any given period, which tends to accompany changes in interest rates, may have a material effect on the Issuer's financial condition or results of operations.

Economic recession and volatility

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

Protracted market declines and reduced liquidity in the markets

In some of the Issuer's businesses, protracted adverse market movements, particularly the decline of asset prices, can reduce market activity and market liquidity. These developments can lead to material losses if the Issuer cannot close out deteriorating positions in a timely way. This may especially be the case for assets that did not enjoy a very liquid market to begin with. In addition, protracted or steep declines in the stock or bond markets in Italy and elsewhere may adversely affect the Issuer's securities trading activities and its asset management services, as well as the Issuer's investments in and sales of products linked to the performance of financial assets.

Operational risk

The Issuer, like all financial institutions, is exposed to many types of operational risk, including the risk of fraud by employees and outsiders, unauthorised transactions by employees or operational errors, including errors resulting from faulty information technology or telecommunication systems. The Issuer's systems and processes are designed to ensure that the operational risks associated with the Issuer's activities are appropriately monitored. Any failure or weakness in these systems, however, could adversely affect the Issuer's financial performance and business activities.

Risk management and impact of events which are difficult to anticipate

The Issuer's earning and business are affected by general economic conditions, the performance of financial markets, interest rate levels, currency exchange rates, changes in laws and regulation, changes in the policies of central banks, particularly the Bank of Italy and the European Central Bank, and competitive factors, at a regional, national and international level. Each of these factors can change the level of demand for the Issuer's products and services, the credit quality of borrowers and counterparties, the interest rate margin of the Issuer between lending and borrowing costs and the value of the Issuer's investment and trading portfolios.

The Issuer has devoted significant resources to developing policies, procedures and assessment methods to manage market, credit, liquidity and operating risks and intends to continue to do so in the future. Nonetheless, the Issuer's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risks, including risks that the Issuer fails to identify or anticipate. If existing or potential customers believe that the Issuer's risk management policies and procedures are inadequate, the Issuer's reputation as well as its revenues and profits may be negatively affected.

Changes in regulatory framework and accounting policies

The Issuer is subject to extensive regulation and supervision by the Bank of Italy, CONSOB (the Italian securities markets regulator), the European Central Bank and the European System of Central Banks. The banking laws to which the Issuer is subject govern the activities in which banks and banking foundations may engage and are designed to maintain the safety and soundness of banks, and limit their exposure to risk. In addition, the Issuer must comply with financial services laws that govern its marketing and selling practices. Two particularly significant changes in regulatory requirements affecting the Issuer are the adoption of IFRS for the first time in relation to the Issuer's financial statements as at and for the year ending 31 December 2006 (although the Group has already prepared its consolidated financial statements as at and for the year ended 31 December 2005 in accordance with IFRS) and the pending implementation of the New Basel Capital Accord on capital requirements.

Any changes in how such regulations are applied or implemented for financial institutions may have a material effect on the Issuer's business and operations. As some of the laws and regulations affecting the Issuer have been adopted only recently, the manner in which they are applied to the operations of financial institutions is still evolving and their implementation, enforcement and/or interpretation in a manner that will not have an adverse effect on the business, financial condition, cash flows and results of operations of the Issuer.

Risks relating to the Notes

The Notes may not be a suitable investment for all investors

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

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

Some Notes are particularly complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial

instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Risks related to the structure of a particular issue of Notes

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

Notes subject to optional redemption by the Issuer

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

Redemption for tax reasons

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

Index Linked Notes and Dual Currency Notes

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

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

Partly-paid Notes

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

Variable rate Notes with a multiplier or other leverage factor

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

Inverse Floating Rate Notes

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

Fixed/Floating Rate Notes

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

Notes issued at a substantial discount or premium

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

Subordinated Notes

If the Issuer is declared insolvent and a winding up is initiated, it will be required to pay the holders of senior debt and meet its obligations to all its other creditors (including unsecured creditors) in full before it can make any payments on the Subordinated Notes. If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due under the Subordinated Notes. In addition, the payment obligations of the Issuer under Upper Tier II Subordinated Notes rank behind Lower Tier II Subordinated Notes and Tier III Subordinated Notes.

The payment obligations arising under Upper Tier II Subordinated Notes are subject to additional limitations. Firstly, the claims of the holders of Upper Tier II Subordinated Notes in relation to payments of principal and interest will be reduced to the extent necessary to enable the Issuer to maintain its capital at certain minimum levels required by the Bank of Italy. Secondly, in the event of negative trends in the performance of the Issuer, the Issuer may suspend payments of Upper Tier II Subordinated Notes to the extent necessary to prevent or limit the incurrence of losses and, in particular, the Issuer may defer interest payments on such Notes in certain circumstances where annual or interim dividends are not declared. In the case of Tier III Subordinated Notes, payment of interest and principal is subject to suspension where such payments would otherwise reduce the Issuer's capital below certain minimum levels required by the Bank of Italy.

Any reduction, deferral or suspension of payments of principal and interest is likely to have an adverse effect on the market price of Subordinated Notes. In addition, as a result of the payment reduction, deferral and suspension provisions described above, the market price of Subordinated Notes may be more volatile than the market prices of debt securities which are not subject to such provisions and may be more sensitive generally to adverse changes in the financial condition of the Issuer and its group.

For a full description of the provisions relating to Subordinated Notes, see Conditions 4(b) (*Status of Subordinated Notes*), 4(c) (*Special provisions relating to Upper Tier II Subordinated Notes*) and 4(d) (*Special provisions relating to Tier III Subordinated Notes*).

Minimum denominations and restrictions on exchange for Definitive Notes

In relation to any issue of Notes which have a minimum denomination and are tradeable in the clearing systems in amounts above such minimum denomination which are smaller than it, should definitive Notes be required to be issued, a holder who does not have an integral multiple of the minimum denomination in his account with the relevant clearing system at the relevant time may not receive all of his entitlement in the form of definitive Notes unless and until such time as his holding becomes an integral multiple of the minimum denomination.

Risks related to Notes generally

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

Meetings of Noteholders

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

Change of law

The Terms and Conditions of the Notes are based on English law in effect as at the date of this Base Prospectus, other than subordination and certain other provisions relating to Subordinated Notes, which are based on Italian law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law (or, as the case may be, Italian law) or administrative practice after the date of this Base Prospectus.

Clearing systems

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

Risks related to the market generally

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

The secondary market generally

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

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

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

Credit ratings may not reflect all risks

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

Legal investment considerations may restrict certain investments

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

Italian transfer restriction

Under new legislation recently implemented in Italy, any professional investor who transfers securities in Italy within 12 months from the date of issue of the securities are liable to purchasers who are non-professional investors if the issuer defaults in any of its payment obligations. See “Subscription and Sale - Italy”.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated by reference in, and to form part of, this Base Prospectus:

- (1) the audited unconsolidated annual financial statements of the Issuer as at and for the years ended 31 December 2005 and 2004; and
- (2) the audited consolidated financial statements of Finanziaria Bonsel S.p.A. as at and for the years ended 31 December 2005 and 2004,

in each case with the accompanying notes and auditor's reports, save that any statement contained in this Base Prospectus or in any of the documents incorporated by reference in, and forming part of, this Base Prospectus shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any document subsequently incorporated by reference by way of supplement prepared in accordance with Article 16 of the Prospectus Directive modifies or supersedes such statement.

The Issuer will, at the specified offices of the Paying Agents, provide, free of charge, upon oral or written request, a copy of this Base Prospectus (or any document deemed to be incorporated by reference herein unless such documents have been modified or superseded as specified above, in which case the modified or superseded version of such document will be provided). Written or oral requests for such documents should be directed to the specified office of any Paying Agent or the specified office of the Listing Agent in Luxembourg. In addition, such documents, together with this Base Prospectus, will be available, without charge, on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Cross-reference List

The following table shows where the information required under Annex IX, paragraph 11.1 of Commission Regulation (EC) No. 809/2004 can be found in the above mentioned documents incorporated by reference.

Sella Holding Banca S.p.A. - Non-consolidated annual financial statements

<i>Commission Regulation (EC) No. 809/2004, Annex IX, Paragraph 11.1</i>	2005	2004
Balance sheet	Pages 76 - 77	Pages 68 - 69
Statement of income	Page 78	Page 70
Cash flow statement	Page 153	Page 137
Accounting policies and explanatory notes	Pages 81 - 153	Pages 73 - 138
Auditors' review/reports	Pages 155 - 157	Pages 139 - 141

Finanziaria Bonsel S.p.A. - Consolidated annual financial statements

<i>Commission Regulation (EC) No. 809/2004, Annex IX, Paragraph 11.1</i>	2005	2004
Balance sheet	Pages 62 - 63	Pages 212 - 213
Statement of income	Page 64	Page 214
Cash flow statement	Page 66	Page 277
Accounting policies and explanatory notes	Pages 67 - 198	Pages 215 - 278
Auditors' review/reports	Pages 199 - 200	Pages 279 - 281

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

FURTHER PROSPECTUSES

The Issuer will prepare a replacement prospectus setting out the changes in the operations and financial conditions of the Issuer at least every year after the date of this Base Prospectus and each subsequent prospectus.

The Issuer has undertaken that, for the duration of the Programme, if at any time there is a significant new factor, material mistake or inaccuracy relating to the Programme which is capable of affecting the assessment of the Notes, it shall prepare a supplement to this Base Prospectus or, as the case may be, publish a replacement Base Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer any number of copies of such supplement as a Dealer may reasonably request.

In addition, the Issuer may agree with the Dealer to issue Notes in a form not contemplated in the section entitled "Form of Final Terms. To the extent that the information relating to that Tranche of Notes constitutes a significant new factor in relation to the information contained in this Base Prospectus, a separate prospectus specific to such Tranche will be made available and will contain such information.

GENERAL DESCRIPTION OF THE PROGRAMME

This section is a general description of the Programme, as provided under Article 22.5 (3) of Regulation (EC) 809/2004. This description does not purport to be complete and is qualified in its entirety by the remainder of this Base Prospectus. Words and expressions defined in “Forms of the Notes” or “Terms and Conditions of the Notes” below have the same meanings in this general description of the Programme.

Issuer:	Sella Holding Banca S.p.A.
Joint Arrangers:	Bayerische Hypo- und Vereinsbank AG and UniCredit Banca Mobiliare S.p.A.
Dealers:	ABN AMRO Bank N.V., Banca IMI S.p.A., Bayerische Hypo- und Vereinsbank AG, BNP Paribas, Banca Caboto S.p.A., CALYON, Capitalia S.p.A., Credit Suisse Securities (Europe) Limited, Dexia Banque Internationale à Luxembourg, société anonyme, acting under the name of Dexia Capital Markets, Natexis Banques Populaires, The Royal Bank of Scotland plc, UniCredit Banca Mobiliare S.p.A. and any other Dealer appointed from time to time by the Issuer, either generally in respect of the Programme or in relation to a particular Tranche of Notes.
Fiscal Agent:	Deutsche Bank AG, London Branch
Luxembourg Listing Agent:	Deutsche Bank Luxembourg S.A.
Listing:	Each Series may be listed on the regulated market of the Luxembourg Stock Exchange and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system as may be agreed between the Issuer and the relevant Dealer and specified in the relevant Final Terms or may be unlisted.
Clearing Systems:	Euroclear and/or Clearstream, Luxembourg and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.
Initial Programme Amount:	Up to €1,500,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time. The maximum aggregate principal amount of Notes outstanding under the Programme may be increased in compliance with the provisions of the Dealer Agreement.
Issuance in Series:	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.
Final Terms:	Each Tranche will be the subject of a Final Terms which, for the purposes of that Tranche only, supplements the Terms and Conditions of the Notes and this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes are the Terms and Conditions of the Notes as supplemented, amended and/or replaced by the relevant Final Terms.

Forms of Notes:	Notes may only be issued in bearer form. Each Tranche of Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. The relevant Final Terms will specify whether each Global Note is to be issued in New Global Note or Classic Global Note form. Each Global Note which is intended to be issued in Classic Global Note form will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in New Global Note form will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as being applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.
Currencies:	Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to any currency or currencies other than the currency in which such Notes are denominated.
Status of the Notes:	Notes may be issued on a subordinated or unsubordinated basis, as specified in the relevant Final Terms.
Status of the Subordinated Notes:	<p>Subordinated Notes (Tier III Subordinated Notes, Lower Tier II Subordinated Notes and Upper Tier II Subordinated Notes, as the case may be) constitute direct, unsecured and subordinated obligations of the Issuer, all as described in Condition 4(b) (<i>Status - Status of the Subordinated Notes</i>) and the relevant Final Terms.</p> <p>Following a winding up, dissolution, liquidation or bankruptcy of the Issuer, payment obligations of the Issuer in respect of principal and interest under any Series of Upper Tier II Subordinated Notes, Lower Tier II Subordinated Notes and Tier III Subordinated Notes, as the case may be, will rank in right of payment (A) after unsubordinated unsecured creditors (including depositors and any holder of Unsubordinated Notes and any related Coupons) of the Issuer, but (B) at least <i>pari passu</i> with all other subordinated obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to such Series of Upper Tier II Subordinated Notes, Lower Tier II Subordinated Notes or Tier III Subordinated Notes, as the case may be, and (C) in priority to the claims of shareholders of the Issuer, all as described in Condition 4(b) (<i>Status – Status of the Subordinated Notes</i>). Lower Tier II Subordinated Notes and Tier III Subordinated Notes rank <i>pari passu</i> amongst themselves and rank senior to Upper Tier II Subordinated Notes, all as described in Condition 4(b) (<i>Status of Subordinated Notes</i>).</p>

<p>Status of the Unsubordinated Notes:</p>	<p>The Unsubordinated Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 5 (<i>Negative Pledge</i>), unsecured obligations of the Issuer and rank <i>pari passu</i> without preference or priority among themselves and (subject to any applicable statutory exceptions) equally with all other present and future unsecured and unsubordinated obligations of the Issuer which are not preferred by operation of law.</p>
<p>Loss Absorption on Upper Tier II Subordinated Notes:</p>	<p>To the extent that the Issuer at any time suffers losses which, under Articles 2446 and 2447 of the Italian Civil Code or otherwise under Italian laws and regulations, would require the Issuer to reduce its capital to below the minimum amount of capital required by the Bank of Italy (and as determined by the external auditors of the Issuer) for the purposes of issuing or maintaining its licence to carry on banking activities, the obligations of the Issuer in respect of interest and principal under the Upper Tier II Subordinated Notes will be reduced to the extent necessary to enable the Issuer to maintain its capital at the required minimum level. In addition, in the event of negative trends in the performance of the Issuer, the Issuer may suspend payments of Upper Tier II Subordinated Notes to the extent necessary to prevent or limit the incurrence of losses (see also “Deferral of Interest on Upper Tier II Subordinated Notes” below). The obligations of the Issuer in respect of interest and principal due under the Upper Tier II Subordinated Notes which are so reduced will be subject to reinstatement in certain circumstances.</p> <p>See Condition 4(c) (<i>Status – Special provisions relating to Upper Tier II Subordinated Notes</i>)</p>
<p>Deferral of Interest on Upper Tier II Subordinated Notes:</p>	<p>The Issuer is not required to pay interest on the Upper Tier II Subordinated Notes on an Interest Payment Date if: (A) no annual dividend has been approved, paid or set aside for payment by a shareholders’ meeting of the Issuer or paid in respect of any class of shares during the 12-month period ending on, but excluding, the second London Business Day immediately preceding such Interest Payment Date; (B) at the time of publication of any interim accounts of the Issuer published during the six-month period ending on, but excluding the second London Business Day immediately preceding such Interest Payment Date, the Board of Directors of the Issuer has announced that, based on such accounts, no sums are available at such time for the payment of interim dividends; or (C) two directors of the Issuer certify that the Issuer has incurred losses on a non-consolidated basis during the period since the end date of the Issuer’s financial year or six-month financial period (as the case may be) immediately preceding such Interest Payment Date and that payment of interest or principal on such Interest Payment Date would disqualify the Upper Tier II Subordinated Notes from being taken into account for capital adequacy purposes.</p> <p>See Condition 4(c) (<i>Status – Special provisions relating to Upper Tier II Subordinated Notes</i>).</p>
<p>Tier III Subordinated Notes:</p>	<p>Tier III Subordinated Notes may be issued only with the prior authorisation of the Bank of Italy pursuant to the provisions of Title IV, Chapter 3, Section II of the Bank of Italy Regulations.</p> <p>Tier III Subordinated Notes shall be subject to the same restrictions provided in respect of similar indebtedness qualifying as Upper Tier II</p>

Subordinated Notes or Lower Tier II Subordinated Notes except that any Tier III Subordinated Notes are subject to (i) a minimum maturity of two years and (ii) a lock-in clause pursuant to which payments of interest or principal shall be suspended during the period in which such payments would reduce the Issuer's Total Regulatory Capital below the aggregate minimum credit risk (*rischio creditizio*) capital requirements of the Issuer, as provided under the Bank of Italy Regulations. Interest shall not accrue on any repayments of principal or payments of interest suspended as described above.

See Condition 4(d) (*Special provisions relating to Tier III Subordinated Notes*).

Issue Price: Notes may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Final Terms.

Maturities: Any maturity, subject (in relation to specific currencies) to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 by the Issuer.

Unless otherwise permitted by current laws, regulations, directives and/or the Bank of Italy's requirements applicable to the issue of Subordinated Notes, (i) Lower Tier II Subordinated Notes have a minimum maturity of five years, (ii) Upper Tier II Subordinated Notes have a minimum maturity of 10 years and redemption is subject to the approval of the Bank of Italy and (iii) Tier III Subordinated Notes have a minimum maturity of two years. If Lower Tier II Subordinated Notes or Tier III Subordinated Notes have an indefinite maturity, Lower Tier II Subordinated Notes may be redeemable only after five years' prior notice to Noteholders and Tier III Subordinated Notes may be redeemable only after two years' prior notice to Noteholders.

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

Redemption: Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Final Terms. Notes may also be redeemable in two or more

instalments on such dates and in such manner as may be specified in the relevant Final Terms.

The redemption of Upper Tier II Subordinated Notes shall always be subject to the prior approval of the Bank of Italy, such approval being dependent, *inter alia*, on the Issuer maintaining its minimum capital requirements (*patrimonio di vigilanza*) as prescribed in Title IV, Chapter 1 of the Bank of Italy's Regulations immediately following redemption of the Upper Tier II Subordinated Notes. If such approval is not given on or prior to the relevant redemption date, the Issuer will re-apply to the Bank of Italy for its consent to such redemption forthwith upon its having again, by whatever means, such required minimum capital. The Issuer will use its best endeavours to maintain such required minimum capital and to obtain such approval. Amounts that would otherwise be payable on the due date will continue to bear interest as provided in the Conditions and the Agency Agreement.

Optional Redemption:	Subject to legal and regulatory provisions and to the Bank of Italy's approval, Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or (in the case of Unsubordinated Notes) the Noteholders to the extent (if at all) specified in the relevant Final Terms. Early redemption in respect of Subordinated Notes may only take place at the option of the Issuer and is subject to the approval of the Bank of Italy. See "Maturities" and "Redemption" above.
Tax Redemption:	Except as described in "Optional Redemption" above, early redemption will only be permitted for tax reasons as described in Condition 10(b) (<i>Redemption and Purchase – Redemption for tax reasons</i>).
Interest:	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. Payments of Interest on Upper Tier II Subordinated Notes and Tier III Subordinated Notes may be reduced, deferred or suspended as provided in Conditions 4(c) (<i>Status - Special provisions relating to Upper Tier II Subordinated Notes</i>) and 4(d) (<i>Special provisions relating to Tier III Subordinated Notes</i>).
Denominations:	Notes will not have denominations of less than €50,000 but otherwise will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Negative Pledge:	The Unsubordinated Notes will have the benefit of a negative pledge clause as described in Condition 5 (<i>Negative Pledge</i>).
Cross Default:	The Unsubordinated Notes will have the benefit of a cross default clause as described in Condition 13 (<i>Events of Default</i>).
Taxation:	All payments in respect of Notes will be made free and clear of withholding taxes of the Republic of Italy unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 12 (<i>Taxation</i>)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.

However, as more fully set out in Condition 12 (*Taxation*), the Issuer shall not be liable in certain circumstances to pay any additional amounts to holders of the Notes with respect to any payment, withholding or deduction pursuant to Italian Legislative Decree No. 239 of 1 April 1996 on account of substitute tax (*imposta sostitutiva*, as defined therein) in relation to interest payable in respect of any Notes.

In addition, the following Notes are subject to a withholding tax at a rate of 27 per cent. per annum in respect of interest and premium (if any): (i) Notes with an original maturity of less than 18 months (pursuant to Italian Presidential Decree No. 600 of 29 September 1973, as amended); and (ii) Notes that qualify as atypical securities (pursuant to Law Decree No. 512 of 30 September 1983, as amended). The Issuer will not pay any additional amounts to Noteholders in relation to any such withholding, as more fully specified in Condition 12 (*Taxation*).

See also “Taxation” on page 96.

Governing Law:	English law, except for Conditions 4(b) (<i>Status – Status of the Subordinated Notes</i>) to 4(d) (<i>Status – Special provisions relating to Tier III Subordinated Notes</i>), 10(d) (<i>Redemption of Subordinated Notes</i>) and 13(b) (<i>Events of Default relating to Subordinated Notes</i>) which shall be governed by, and construed in accordance with, Italian law.
Enforcement of Notes in Global Form:	In the case of Global Notes, investors’ rights against the Issuer will be supported by a Deed of Covenant dated 4 July 2006, a copy of which will be available for inspection at the specified office of the Fiscal Agent.
Ratings:	Notes issued pursuant to the Programme may be rated or unrated. Where a tranche of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Programme Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, Italy, the United Kingdom, France and Japan, see “Subscription and Sale” below.

FORMS OF THE NOTES

Each Tranche of Notes will initially be in the form of either a temporary global note (the “**Temporary Global Note**”), without interest coupons, or a permanent global note (the “**Permanent Global Note**”), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a “**Global Note**”) may be issued in new global note (“**New Global Note**” or “**NGN**”) form, as specified in the relevant Final Terms. Each Global Note which is not intended to be issued in NGN form (a “**Classic Global Note**” or “**CGN**”), as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depository or a common depository for Euroclear Bank S.A./N.V., as operator of the Euroclear System (“**Euroclear**”) and/or Clearstream Banking, société anonyme, Luxembourg (“**Clearstream, Luxembourg**”) and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safe-keeper for Euroclear and/or Clearstream, Luxembourg.

Euroclear and Clearstream, Luxembourg have announced that during 2006 the central banking system for the euro (the “**Eurosystem**”) may cease to accept bearer debt securities in CGN form as eligible collateral for the purposes of the Eurosystem’s monetary and intra-day credit operations by the Eurosystem. The NGN form has been introduced so that, should this happen, Notes may continue to be issued and held in a manner which will permit them to be recognised as eligible collateral for the purposes of the monetary policy of the Eurosystem and intra-day credit operations by the Eurosystem, either upon issue or at any or all times during their life. However, in any particular case, such recognition will depend upon satisfaction of the Eurosystem eligibility criteria at the relevant time.

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the “**TEFRA C Rules**”) or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the “**TEFRA D Rules**”) are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Final Terms specifies the form of Notes as being “Temporary Global Note exchangeable for a Permanent Global Note”, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note to, or to the order of, the Fiscal Agent; and
- (ii) in either case, receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership,

within 7 days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; *provided, however, that* in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Notes in definitive form (“**Definitive Notes**”):

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies “in the limited circumstances described in the Permanent Global Note”, then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to, or to the order of, the Fiscal Agent within 30 days of the bearer requesting such exchange.

Temporary Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to, or to the order of, the Fiscal Agent within 30 days of the bearer requesting such exchange.

Permanent Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being “Permanent Global Note exchangeable for Definitive Notes”, then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies “in the limited circumstances described in the Permanent Global Note”, then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to, or to the order of, the Fiscal Agent within 30 days of the bearer requesting such exchange.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under “Terms and Conditions of the Notes” below and the provisions of the relevant Final Terms which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions Relating to the Notes while in Global Form” below.

Legend concerning United States persons

In the case of any Tranche of Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”

The sections referred to in such legend provide that a United States person who holds a Note, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

TERMS AND CONDITIONS OF THE NOTES

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

1. Introduction

- (a) *Programme:* Sella Holding Banca S.p.A. (the “**Issuer**”) has established a Euro Medium Term Note Programme (the “**Programme**”) for the issuance of up to €1,500,000,000 in aggregate principal amount of notes (the “**Notes**”).
- (b) *Final Terms:* Notes issued under the Programme are issued in series (each a “**Series**”) and each Series may comprise one or more tranches (each a “**Tranche**”) of Notes. Each Tranche will be the subject of a final terms (the “**Final Terms**”) which supplements these terms and conditions (the “**Conditions**”). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) *Agency Agreement:* The Notes are the subject of an issue and paying agency agreement dated 4 July 2006 (as amended or supplemented from time to time, the “**Agency Agreement**”) between the Issuer and Deutsche Bank AG, London Branch as fiscal agent (the “**Fiscal Agent**”, which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agent named therein (together with the Fiscal Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes).
- (d) *The Notes:* All subsequent references in these Conditions to “**Notes**” are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for inspection by Noteholders during normal business hours at the Specified Office of the Fiscal Agent, the initial Specified Office of which is set out below.
- (e) *Summaries:* Certain provisions of these Conditions are summaries of the Agency Agreement and are subject to its detailed provisions. The holders of the Notes (the “**Noteholders**”) and the holders of the related interest coupons, if any, (the “**Couponholders**” and the “**Coupons**”, respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

2. Definitions and Interpretation

- (a) *Definitions:* In these Conditions the following expressions have the following meanings:

“**Accrual Yield**” has the meaning given in the relevant Final Terms;

“**Additional Business Centre(s)**” means the city or cities specified as such in the relevant Final Terms;

“**Additional Financial Centre(s)**” means the city or cities specified as such in the relevant Final Terms;

“**Bank of Italy Regulations**” means the regulations for banks (*Istruzioni di Vigilanza per le Banche*) issued by the Bank of Italy, as amended, supplemented and replaced from time to time and any

reference in these Conditions to any specific provision therein shall be read as a reference to such provision as amended, supplemented and replaced from time to time;

“**Banking Act**” means Italian Legislative Decree No. 385 of 1 September 1993, as amended, supplemented and replaced from time to time;

“**Business Day**” means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

“**Business Day Convention**” in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) “**Following Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) “**Modified Following Business Day Convention**” or “**Modified Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) “**Preceding Business Day Convention**” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) “**FRN Convention**”, “**Floating Rate Convention**” or “**Eurodollar Convention**” means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred *provided, however, that:*
 - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) “**No Adjustment**” means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

“**Calculation Agent**” means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

“**Coupon Sheet**” means, in respect of a Note, a coupon sheet relating to the Note;

“**Credit Rating**” means the publicly announced rating assigned to the Issuer by a Rating Agency, including any reference to positive, stable or negative outlook or any placing of the Issuer on “Creditwatch” with negative implications or similar publication of formal review by a Rating Agency;

“**Day Count Fraction**” means, in respect of the calculation of an amount for any period of time (the “**Calculation Period**”), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (i) if “**Actual/Actual (ISMA)**” is so specified, means:
 - (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year; and
 - (b) where the Calculation Period is longer than one Regular Period, the sum of:
 - (1) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (2) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year;
- (ii) if “**Actual/365**” or “**Actual/Actual (ISDA)**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if “**30/360**” is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (vi) if “**30E/360**” or “**Eurobond Basis**” is so specified means, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the date of final maturity is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month);

“**Deed Poll**” means a deed poll entered into by a New Issuer in connection with a Permitted Reorganisation;

“**Early Redemption Amount (Tax)**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“Early Termination Amount” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

“Extraordinary Resolution” has the meaning given in the Agency Agreement;

“Final Redemption Amount” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“Fixed Coupon Amount” has the meaning given in the relevant Final Terms;

“Government Entities” means any body, agency, ministry, department, authority, statutory corporation or other entity of or pertaining to the Republic of Italy or the government thereof or any political subdivision, municipality or local government thereof (whether autonomous or not);

“Guarantee” means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (i) any obligation to purchase such Indebtedness;
- (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (iv) any other agreement to be responsible for such Indebtedness;

“Indebtedness” means any indebtedness of any Person for money borrowed or raised;

“Interest Amount” means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

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

“Interest Determination Date” has the meaning given in the relevant Final Terms;

“Interest Payment Date” means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

“Interest Period” means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

“ISDA Definitions” means the 2000 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

“Issue Date” has the meaning given in the relevant Final Terms;

“Lower Tier II Subordinated Notes” means *passività subordinata*, as defined in Title IV, Chapter 1, Section II, paragraph 4.2 of the Bank of Italy Regulations;

“**Margin**” has the meaning given in the relevant Final Terms;

“**Maturity Date**” has the meaning given in the relevant Final Terms;

“**Maturity Period**” means the period from and including the Issue Date to but excluding the Maturity Date;

“**Maximum Redemption Amount**” has the meaning given in the relevant Final Terms;

“**Minimum Redemption Amount**” has the meaning given in the relevant Final Terms;

“**New Issuer**” means a Surviving Entity which, following a Permitted Reorganisation, is a Person other than the Original Issuer;

“**Non-core Business**” means any business carried on by a Person other than its principal business;

“**Optional Redemption Amount (Call)**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“**Optional Redemption Amount (Put)**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“**Optional Redemption Date (Call)**” has the meaning given in the relevant Final Terms;

“**Optional Redemption Date (Put)**” has the meaning given in the relevant Final Terms;

“**Original Issuer**” means, for the purposes of a Permitted Reorganisation, the body corporate having the obligations as Issuer under the Notes prior to completion of such Permitted Reorganisation;

“**Participating Member State**” means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty;

“**Payment Business Day**” means:

- (i) if the currency of payment is euro, any day which is:
 - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, any day which is:
 - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

“**Permitted Reorganisation**” means:

- (i) in the case of a Subsidiary, an amalgamation, reorganisation, merger, consolidation or restructuring whilst solvent whereby the assets and undertaking of such Subsidiary are transferred to or otherwise vested in the Issuer or another Subsidiary of the Issuer; or
- (ii) in the case of the Issuer, a reconstruction, amalgamation, reorganisation, merger, demerger, consolidation, transfer of business or similar transaction whilst solvent where all of the following conditions are fulfilled:
 - (A) upon completion of such transaction:

- (1) where the Surviving Entity is the Original Issuer, the Original Issuer shall continue:
 - (a) to carry on all or substantially all of its business; and
 - (b) to hold all or substantially all of the assets held by it before such transaction,

provided that, for the avoidance of doubt, the conditions set out in (a) and (b) above shall not apply in the case of a demerger, transfer or business or similar transaction by which a Non-core Business or a non-substantial part of the business of the Original Issuer is vested in a Subsidiary of the Original Issuer, all or substantially all of whose share capital giving the right to vote at shareholders' meetings is owned or controlled by the Original Issuer; or
- (2) where the Surviving Entity is a New Issuer:
 - (a) such New Issuer shall be a body corporate in good standing validly organised and existing under the laws of the Republic of Italy;
 - (b) such New Issuer shall continue to carry on all or substantially all of the business of the Original Issuer; and
 - (c) all or substantially all of the assets held by the Original Issuer before such transaction shall be vested in such New Issuer;
- (B) both before and after completion of such transaction, no Event of Default shall have occurred and be continuing or would thereupon occur;
- (C) upon completion of such transaction, the Surviving Entity shall have:
 - (1) a Tier I Capital Ratio substantially equivalent to or greater than the Tier I Capital Ratio of the Original Issuer prior to completion of such transaction, evidenced by a certificate from the auditors of the Surviving Entity to that effect (which certificate shall be available for inspection at the specified office of the Fiscal Agent); or
 - (2) the same or an improved Credit Rating or Credit Ratings (as the case may be) in comparison to the Credit Rating or Credit Ratings assigned to the Original Issuer by the relevant Rating Agency immediately before completion of such transaction, evidenced by a certificate to that effect from such Rating Agency or Rating Agencies (as the case may be) (which certificate shall be available for inspection at the specified office of the Fiscal Agent);
- (D) upon completion of such transaction, no tax, duty, assessment or governmental charge shall be imposed on Noteholders or Couponholders by the Republic of Italy which would not have been so imposed had such transaction not taken place;
- (E) where the Surviving Entity is a New Issuer, such New Issuer shall either assume the obligations of the Original Issuer under the Notes by operation of law under the doctrine of universal succession or:
 - (1) by means of the Deed Poll and such other documents (if any) as are necessary for such purpose (“**Additional Documents**”), undertake to the Noteholders to be bound by the provisions of the Notes as fully as if the New Issuer had been named in the Notes as the debtor in respect of the Notes in place of the Original Issuer;
 - (2) have entered into a supplemental agency agreement (“**Supplemental Agency Agreement**”) agreeing to be bound by the Agency Agreement as if it had been a party thereto in place of the Original Issuer;

- (3) have maintained the listing of the Notes on each Stock Exchange (including the regulated market of the Luxembourg Stock Exchange) on which the Notes are listed following such transaction and, if required by such Stock Exchange, have published a supplement to the base prospectus in accordance with applicable law and/or the rules of such Stock Exchange and have provided notice to Noteholders of the New Issuer in accordance with Condition 19 (*Notices*); and
 - (4) have appointed the process agent appointed by the Original Issuer in Condition 22(d) (*Process Agent*) as its agent in England to receive service of process on its behalf in relation to any legal actions or proceedings arising out of or in connection with the Notes, the Deed Poll, the Additional Documents or the Supplemental Agency Agreement;
- (F) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Notes, the Coupons and the Agency Agreement and (if applicable) the Deed Poll, the Additional Documents and the Supplemental Agency Agreement represent valid, legally binding and enforceable obligations of the Surviving Entity shall have been taken, fulfilled and done and are in full force and effect; and
- (G) the Surviving Entity shall have obtained opinions addressed to the Fiscal Agent from legal counsel with a leading securities practice in the relevant jurisdiction as follows (and where applicable):
- (1) in the Republic of Italy, as to the fulfilment of the conditions in paragraphs (A)(2)(a), (D) and (F) above; and
 - (2) in England, as to the fulfilment of the condition in paragraph (F) above, which opinions shall be available for inspection at the specified office of the Fiscal Agent,

and, in the event of any Permitted Reorganisation of the Issuer whereby the Surviving Entity is a New Issuer, any reference in these Conditions to the “**Issuer**” shall be a reference to such New Issuer, with effect from the date on which a Permitted Reorganisation becomes effective under applicable law;

provided, always, that (i) a Permitted Reorganisation of the Issuer whereby the Surviving Entity is the Original Issuer shall not apply to Condition 13(a)(vii) (*Winding up etc*); and (ii) following a Permitted Organisation of the Issuer whereby the Surviving Entity is a New Issuer, references to obligations under the Notes in Conditions 13(a)(ii) (*Breach of other obligations*), (ix) (*Failure to take action, etc*) and (x) (*Unlawfulness*) shall be deemed to include obligations under the Deed Poll.

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“**Principal Financial Centre**” means, in relation to any currency, the principal financial centre for that currency *provided, however, that*:

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (ii) in relation to Australian dollars, it means Sydney and, in relation to New Zealand dollars, it means either Wellington or Auckland (in the case of New Zealand dollars, as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent);

“**Put Option Notice**” means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

“Put Option Receipt” means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

“Rate of Interest” means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

“Rating Agency” means Moody’s Investors Service, Inc., Standard & Poor’s Rating Services, a division of McGraw-Hill Companies, Inc. or Fitch Ratings Limited or any other rating agency of similar international standing;

“Redemption Amount” means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

“Reference Banks” has the meaning given in the relevant Final Terms or, if none, four (or if the Principal Financial Centre is Helsinki, five) major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

“Reference Price” has the meaning given in the relevant Final Terms;

“Reference Rate” has the meaning given in the relevant Final Terms;

“Regular Period” means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **“Regular Date”** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **“Regular Date”** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

“Relevant Date” means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

“Relevant Financial Centre” has the meaning given in the relevant Final Terms;

“Relevant Indebtedness” means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

“Relevant Screen Page” means the page, section or other part of a particular information service (including, without limitation, the Reuter Money 3000 Service and the Telerate Service) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be

nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

“**Relevant Time**” has the meaning given in the relevant Final Terms;

“**Reserved Matter**” means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

“**Risk-weighted Assets**” means the total amount, on a non-consolidated basis, of risk-weighted assets, as calculated in accordance with Title IV, Chapter 2, Section II of the Bank of Italy Regulations;

“**Security Interest**” means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything equivalent to any of the foregoing under the laws of any jurisdiction;

“**Specified Currency**” has the meaning given in the relevant Final Terms;

“**Specified Denomination(s)**” has the meaning given in the relevant Final Terms;

“**Specified Office**” has the meaning given in the Agency Agreement;

“**Specified Period**” has the meaning given in the relevant Final Terms;

“**Subordinated Notes**” means any notes specified as Upper Tier II Subordinated Notes, Lower Tier II Subordinated Notes or Tier III Subordinated Notes in the Final Terms;

“**Subsidiary**” means, in relation to any Person (the “**first Person**”) at any particular time, any other Person (the “**second Person**”):

- (i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

“**Surviving Entity**” means, for the purposes of a Permitted Reorganisation, the body corporate having the obligations as Issuer under the Notes upon completion of such Permitted Reorganisation;

“**Talon**” means a talon for further Coupons;

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

“**Tier I Capital**” means, on a non-consolidated basis, *patrimonio di base*, being the aggregate amount of the following:

- (i) paid-up share capital; plus
- (ii) reserves; plus
- (iii) provisions for general banking risks; plus
- (iv) a sum representing 15 per cent. of securities issued and classified (following Bank of Italy authorisation) as Tier I securities (*strumenti innovativi di capitale*), pursuant to Title IV, Chapter 1, Sector II, paragraph 3 of the Bank of Italy Regulations; less
- (v) treasury shares; less

- (vi) any other amount required to be deducted by the Bank of Italy in respect of any matter which, by its nature, may result in a dilution of Tier I capital,

in each case, as calculated in accordance with the Bank of Italy Regulations;

“**Tier I Capital Ratio**” means Tier I Capital divided by Risk-weighted Assets;

“**Tier III Subordinated Notes**” means *prestiti subordinati al 3° livello*, as defined in Title IV, Chapter 3, Section I, paragraph 3 of the Bank of Italy Regulations;

“**Total Regulatory Capital**” means, on a consolidated and unconsolidated basis, the aggregate amount of the following, as amended, supplemented or replaced under Bank of Italy Regulations in force from time to time:

- (i) the regulatory capital of the Issuer (*Patrimonio di Vigilanza*) as set forth in Bank of Italy Regulations; plus
- (ii) any indebtedness of the Issuer classified by the Bank of Italy as tier III subordinated capital (*prestiti subordinati di 3° livello*), intended to cover the minimum capital requirements for market risk (as currently defined in Title IV, Chapter 3, Section II of Bank of Italy Regulations referred to in the following sub-paragraph (iii)); less
- (iii) the minimum capital requirements for market risk of the Issuer (as currently defined in Title IV, Chapter 3, Section II of Bank of Italy Regulations); less
- (iv) the excess over the limit on ownership of shareholdings in non-financial companies acquired by the Issuer following the recovery of credits (as currently defined in Title IV, Chapter 9, Section V of Bank of Italy Regulations); less
- (v) the excess over the limit on the ownership of real estate acquired by the Issuer following the recovery of credits (as currently defined in Title IV, Chapter 10, Section II of Bank of Italy Regulations); less
- (vi) any additional specific capital requirements imposed on the Issuer by the Bank of Italy, to the extent not taken into account in sub-paragraphs (iii), (iv) and (v) above, together with any other capital requirement which may from time to time become applicable pursuant to Bank of Italy Regulations;

“**Treaty**” means the Treaty establishing the European Communities, as amended; and

“**Unsubordinated Notes**” means any Notes specified as such in the Final Terms;

“**Upper Tier II Subordinated Notes**” means *strumenti ibridi di patrimonializzazione*, as defined in Title IV, Chapter 1, Section II, paragraph 4.1 of the Bank of Italy Regulations;

“**Zero Coupon Note**” means a Note specified as such in the relevant Final Terms.

(b) *Interpretation*: In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12

(*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;

- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being “outstanding” shall be construed in accordance with the Agency Agreement; and
- (vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Notes.

3. **Form, Denomination and Title**

The Notes are in bearer form in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Notes with more than one Specified Denomination, Notes of one Specified Denomination will not be exchangeable for Notes of another Specified Denomination. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

4. **Status**

(a) *Status of the Unsubordinated Notes*

- (i) *Application:* This Condition 4(a) applies only to Unsubordinated Notes.
- (ii) *Status:* The Unsubordinated Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by mandatory provisions of law.

(b) *Status of the Subordinated Notes*

- (i) *Application:* This Condition 4(b) applies only to Subordinated Notes.
- (ii) *Status of Subordinated Notes:* The Subordinated Notes and any relative Receipts and Coupons constitute unsecured and subordinated obligations of the Issuer and, subject to Condition 4(b)(iii) (*Winding-up of the Issuer*), 4(c)(ii) (*Loss absorption*) and 4(c)(iii) (*Deferral of interest*), rank *pari passu* without any preference among themselves. In relation to each Series of Subordinated Notes, all Subordinated Notes of such Series will be treated equally and all amounts paid by the Issuer in respect of principal and interest thereon will be paid *pro rata* on all Subordinated Notes of such Series.
- (iii) *Winding-up of the Issuer:* In the event of the winding up, dissolution, liquidation or bankruptcy of the Issuer (including, *inter alia*, *Liquidazione Coatta Amministrativa*, as described in Articles 80 to 94 of the Banking Act), the payment obligations of the Issuer under each Series of Subordinated Notes and the relative Receipts and Coupons will rank in right of payment after unsubordinated unsecured creditors (including depositors) of the Issuer. Subordinated Notes rank at least *pari passu* with all other subordinated obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to Subordinated Notes, as the case may be, and in priority to the claims of shareholders of the Issuer. Lower Tier II

Subordinated Notes and Tier III Subordinated Notes rank *pari passu* among themselves and rank senior to Upper Tier II Subordinated Notes.

- (iv) *Waiver*: Each holder of a Subordinated Note is deemed unconditionally and irrevocably to have waived any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction in respect of such Subordinated Note.
- (c) *Special provisions relating to Upper Tier II Subordinated Notes*
- (i) *Application*: This Condition 4(c) applies only to Upper Tier II Subordinated Notes.
 - (ii) *Loss absorption*: (i) To the extent that the Issuer at any time suffers losses which (as provided for in Articles 2446 and 2447 of the Italian Civil Code) would require the Issuer to reduce its capital below the minimum capital as provided for by the Bank of Italy from time to time for the issuance or maintenance of the Bank of Italy's authorisation to carry on banking activities and as determined by the external auditors of the Issuer (the "**Minimum Capital**"), the obligations of the Issuer in respect of principal and interest under the Upper Tier II Subordinated Notes will be reduced to the extent necessary to enable the Issuer, in accordance with requirements under Italian legal and regulatory provisions, to maintain at least the Minimum Capital; and (ii) in the event of negative trends in the performance of the Issuer, the Issuer may suspend payments due under the Upper Tier II Subordinated Notes to the extent necessary to prevent or limit, to any possible extent, the occurrence of losses.

The obligations of the Issuer in respect of principal and interest under the Upper Tier II Subordinated Notes which are so reduced will be reinstated whether or not the Maturity Date of the relevant obligations has occurred:

- (A) in whole, in the event of winding up, dissolution, liquidation or bankruptcy of the Issuer (including, *inter alia*, *Liquidazione Coatta Amministrativa*, as described in Articles 80 to 94 of the Banking Act) and with effect immediately prior to the commencement of such winding up, dissolution, liquidation or bankruptcy, as if such obligations of the Issuer had not been so reduced in accordance with this Condition 4(c)(ii); and
 - (B) in whole or in part, from time to time, to the extent that the Issuer, by reason of its having profits, or by reason of its obtaining new capital contributions, or by reason of the occurrence of any other event, would again have at least the Minimum Capital and, therefore, would not be required to reduce its capital below the Minimum Capital.
- (iii) *Deferral of interest*: The Issuer will not be required to pay interest on the Upper Tier II Subordinated Notes on an Interest Payment Date if (A) no annual dividend has been approved, paid or set aside for payment by a shareholders' meeting of the Issuer or paid in respect of any class of shares of the Issuer during the 12-month period ending on, but excluding, the second London Business Day immediately preceding such Interest Payment Date or (B) the Board of Directors of the Issuer has announced, as the time of the release of any interim accounts published during the six-month period ending on, but excluding, the second London Business Day immediately preceding such Interest Payment Date, that, based on such interim accounts, no sums are available at such time for the payment of interim dividends, or (C) two Directors of the Issuer certify that the Issuer has incurred non-consolidated losses during the period since the end of the Issuer's annual or, as the case may be, semi-annual financial period immediately preceding such Interest Payment Date and that payment of interest and/or principal on such Interest Payment Date would disqualify the Upper Tier II Subordinated Notes from being taken into account for capital adequacy purposes. For the purposes of this Condition 4(c)(iii), "London Business Day" means a day (other than Saturday or Sunday) on which banks and foreign exchange markets are open for business in London.

Any such unpaid amounts of interest pursuant to this Condition 4(c)(iii) will constitute arrears of interest which will bear interest at the rate applicable to the relevant Upper Tier II Subordinated Notes. Arrears of interest (together with any additional interest amount in respect

of such arrears of interest) will become due and payable (i) in part *pari passu* and *pro rata* if and to the extent that the Issuer makes payments of or in respect of amounts of interest on or in relation to any other *pari passu* claims; and (ii) in full on the earliest to occur of (A) the Interest Payment Date falling on or after the date on which a dividend is approved or paid on any class of shares of the Issuer; (B) the date for repayment of the Upper Tier II Subordinated Notes; or (C) the date on which the *Liquidazione Coatta Amministrativa* of the Issuer is commenced pursuant to the Banking Act or on which the Issuer becomes subject to a liquidation order.

- (d) *Special provisions relating to Tier III Subordinated Notes:* The following provisions apply to Tier III Subordinated Notes:
- (i) *Authorisation:* Tier III Subordinated Notes may only be issued with the prior authorisation of the Bank of Italy pursuant to the provisions of Title IV, Chapter 3, Part I, Section II of the Bank of Italy Regulations.
 - (ii) *Restrictions:* Tier III Subordinated Notes shall be subject to the same restrictions provided for in respect of similar indebtedness qualifying as Upper Tier II Subordinated Notes or Lower Tier II Subordinated Notes except that Tier III Subordinated Notes shall be subject to (i) a minimum Maturity Period of two years and (ii) a lock-in clause pursuant to which payments of interest and repayments of principal shall be suspended during the period (the “**Suspension Period**”) that such payments or repayment would reduce the Issuer’s Total Regulatory Capital below the aggregate minimum credit risk (*rischio creditizio*) capital requirements of the Issuer, as provided under the Bank of Italy Regulations and, for the avoidance of doubt, interest shall not accrue on any repayments of principal or payments of interest suspended during the Suspension Period.
 - (iii) *Regulatory capital:* For the purposes of Tier III Subordinated Notes, the Issuer’s Total Regulatory Capital shall be deemed to be equal to or more than the minimum credit risk (*rischio creditizio*) capital requirements of the Issuer when the Issuer’s Total Regulatory Capital is equal to or more than the minimum credit risk capital requirements set out in Title IV, Chapter 2, Sections II and III of Bank of Italy Regulations.

5. **Negative Pledge**

- (a) *Application:* This Condition 5 (*Negative Pledge*) applies only to Unsubordinated Notes.
- (b) *Negative Pledge:* So long as any Unsubordinated Note remains outstanding, the Issuer shall not, and the Issuer shall procure that none of its Subsidiaries shall, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Unsubordinated Notes equally and rateably therewith or (b) providing such other security for the Unsubordinated Notes as may be approved by an Extraordinary Resolution of Noteholders.
- (c) *Covered Bonds:* The provisions under Condition 5(b) (*Negative Pledge*) shall not apply to any Security Interest over assets granted or created by (i) the Issuer or (ii) a Subsidiary of the Issuer or (iii) a special purpose vehicle incorporated under Law No. 130 of 30 April 1999 (as amended) (“**Law 130**”) issuing a Guarantee of Relevant Indebtedness, in each case pursuant to the provisions of Article 7-bis and Article 7-ter of Law 130, where such assets are comprised of the following:
 - (i) receivables on loans in respect of land, buildings or other real property assets, if secured by a mortgage over such land, buildings and real property assets; or
 - (ii) receivables against debtors who are Government Entities or receivables guaranteed by Government Entities; or

- (iii) notes, bonds or other securities held by the Issuer and issued by a Person other than the Issuer, where such notes, bonds or securities are secured in favour of the holders of such notes, bonds or securities by a Security Interest over assets of the kind described in sub-paragraphs (i) or (ii) above or where the holders of such notes, bonds or securities have the benefit of a segregation of such assets,

provided, however, that this Condition 5(c) shall only disapply the provisions of Condition 5(b) (*Negative Pledge*) to the extent that such Security Interest is created for the purpose of (i) securing Relevant Indebtedness of the Issuer under covered bonds issued by the Issuer or (ii) securing a Guarantee in respect of Relevant Indebtedness of the Issuer under covered bonds.

6. **Fixed Rate Note Provisions**

- (a) *Application:* This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the principal amount of such Note, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7. **Floating Rate Note and Index-Linked Interest Note Provisions**

- (a) *Application:* This Condition 7 (*Floating Rate Note and Index-Linked Interest Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

- (c) *Screen Rate Determination*: If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (1) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (2) determine the arithmetic mean of such quotations; and
 - (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,
- and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate (or as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.
- (d) *ISDA Determination*: If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “**ISDA Rate**” in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
 - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
 - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

- (e) *Index-Linked Interest*: If the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Final Terms.
- (f) *Maximum or Minimum Rate of Interest*: If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (g) *Calculation of Interest Amount*: The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the principal amount of such Note during such Interest Period and multiplying the product by the relevant Day Count Fraction.
- (h) *Calculation of other amounts*: If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.
- (i) *Publication*: The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer, the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.
- (j) *Notifications etc*: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8. **Zero Coupon Note Provisions**

- (a) *Application*: This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Late payment on Zero Coupon Notes*: If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9. **Dual Currency Note Provisions**

- (a) *Application:* This Condition 9 (*Dual Currency Note Provisions*) is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Rate of Interest:* If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.

10. **Redemption and Purchase**

- (a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments*).
- (b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part:
 - (i) at any time (if neither the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable); or
 - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable),

in each case, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

- (1) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and
- (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

- (A) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or
- (B) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 10(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(b).

- (c) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in

the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

- (d) *Redemption of Subordinated Notes:* Upper Tier II Subordinated Notes may be perpetual (*passività irredimibili*) or with a fixed maturity period of ten years or longer (*altri strumenti rimborsabili*). Lower Tier II Subordinated Notes shall have a minimum Maturity Periods of five years and Tier III Subordinated Notes shall have a minimum Maturity Period of two years, in each case as provided under Bank of Italy Regulations.

Notwithstanding the foregoing provisions of this Condition 10, the redemption and/or early redemption of Subordinated Notes shall always be subject to the prior approval of the Bank of Italy, such approval in respect of redemption and/or early redemption of Upper Tier II Subordinated Notes being dependent on the Issuer maintaining its minimum capital requirements (*patrimonio di vigilanza*) as prescribed in Title IV, Chapter 1 of the Bank of Italy Regulations immediately following redemption of the Upper Tier II Subordinated Notes. If such approval is not given on or prior to the redemption date, the Issuer will re-apply to the Bank of Italy for its consent to such redemption forthwith upon its having again, by whatever means, such required minimum capital. The Issuer will use its best endeavours to maintain such required minimum capital and to obtain such approval.

Where Lower Tier II Subordinated Notes or Tier III Subordinated Notes have an indefinite Maturity Period but are subject to redemption at the option of the Issuer, such Notes may only be redeemed by the giving of notice from the Issuer to Noteholders as follows: (i) five years' notice, in the case of Lower Tier II Subordinated Notes; and (ii) two years' notice, in the case of Tier III Subordinated Notes.

Amounts that would otherwise be payable on the due date will continue to bear interest until whichever is the earlier of (i) the day on which all sums due in respect of such Subordinated Notes up to that day are received by or on behalf of the Noteholders and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of such Subordinated Notes up to such seventh day.

- (e) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 10(c) (*Redemption at the option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law and the rules of each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation, and the notice to Noteholders referred to in Condition 10(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) *Redemption at the option of Noteholders:* This Condition 10(f) applies only to Unsubordinated Notes. If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the holder of any Unsubordinated Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10(f), the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmaturing Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(f), may be withdrawn; *provided, however, that* if, prior to the relevant Optional Redemption Date (Put), any such Note becomes

immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10(f), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

- (g) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 10(a) (*Scheduled redemption*) to (e) (*Redemption at the option of Noteholders*) above.
- (h) *Early redemption of Zero Coupon Notes:* Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 10(h) or, if none is so specified, a Day Count Fraction of 30E/360.

- (i) *Purchase:* The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, provided that all unmatured Coupons are purchased therewith.
- (j) *Cancellation:* All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

11. **Payments**

- (a) *Principal:* Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London).
- (b) *Interest:* Payments of interest shall, subject to Condition 11(h) (*Payments other than in respect of matured coupons*) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 11(a) (*Principal*) above.
- (c) *Payments in New York City:* Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the

provisions of Condition 12 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

- (e) *Deductions for unmatured Coupons*: If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Note is presented without all unmatured Coupons relating thereto:
- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
 - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (1) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “**Relevant Coupons**”) being equal to the amount of principal due for payment; *provided, however, that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
 - (2) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided, however, that*, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in Condition 11(a) (*Principal*) above against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.

- (f) *Unmatured Coupons void*: If the relevant Final Terms specifies that this Condition 11(f) is applicable or that the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are applicable, on the due date for final redemption of any Note or early redemption of such Note pursuant to Condition 10(b) (*Redemption for tax reasons*), Condition 10(f) (*Redemption at the option of Noteholders*), Condition 10(c) (*Redemption at the option of the Issuer*) or Condition 13 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) *Payments on business days*: If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (h) *Payments other than in respect of matured Coupons*: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by Condition 11(c) (*Payments in New York City*) above).
- (i) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (j) *Exchange of Talons*: On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may

be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 14 (*Prescription*)). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

12. Taxation

- (a) *Gross up*: All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in the receipt by the Noteholders and the Couponholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable:
- (i) in respect to any payment or deduction of any interest, principal or other proceeds or on account of *imposta sostitutiva* (at the then applicable rate of tax) pursuant to Italian Legislation Decree No. 239 of 1 April 1996 or, for the avoidance of doubt, Italian Legislation Decree No. 461 of 21 November 1997 (as amended by Italian Legislative Decree No. 201 of 16 June 1998) with respect to any Note, Receipt or Coupon and in all circumstances in which the procedures set forth in Legislative Decree No 239 have not been met or complied with except where such procedures have not been met or complied with due to the actions or omissions of the Issuer or its agents; or
 - (ii) with respect to a Note, Receipt or Coupon presented for payment by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of its having some connection with the Republic of Italy other than the mere holding of such Note, Receipt or Coupon; or
 - (iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any other Directive on the taxation of savings implementing the conclusions of the ECOFIN council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or
 - (iv) with respect to a Note, Receipt or Coupon presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the EU; or
 - (v) with respect to a Note, Receipt or Coupon presented for payment more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note or Coupon on the last day of such period of 30 days; or
 - (vi) in respect of any Note having an original maturity of less than eighteen months where such withholding or deduction is required pursuant to Presidential Decree No. 600 of 29 September 1973, as amended and supplemented; or
 - (vii) in respect of Notes that qualify as atypical securities where such withholding or deduction is required pursuant to Law Decree No. 512 of 30 September 1983, as amended.
- (b) *Taxing jurisdiction*: If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, references in these Conditions to the Republic of Italy shall be construed as references to the Republic of Italy and/or such other jurisdiction.

13. **Events of Default**

(a) *Event of Default relating to Unsubordinated Notes:* This Condition 13(a) applies only to Unsubordinated Notes. If any of the following events occurs:

- (i) *Non-payment:* the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within seven days of the due date for payment thereof; or
- (ii) *Breach of other obligations:* the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the Specified Office of the Fiscal Agent; or
- (iii) *Cross-default of Issuer or Subsidiary:*
 - (1) any Indebtedness of the Issuer or any of its Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period; or
 - (2) any such Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the relevant Subsidiary or (provided that no event of default, howsoever described, has occurred) any Person entitled to such Indebtedness; or
 - (3) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness,

provided that the aggregate amount of the Indebtedness or Guarantee in respect of which one or more of the events mentioned above in this paragraph 13(a)(iii) have occurred exceeds €5,000,000 or its equivalent in any other currency; or

- (iv) *Unsatisfied judgment:* one or more judgment(s) or order(s) from which no further appeal or judicial review is permissible under applicable law is rendered against the Issuer or any of its Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (v) *Security enforced:* a secured party legally takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any material part of the undertaking, assets and revenues of the Issuer or any of its Subsidiaries and, in the case of seizure before judgment or interlocutory process, is not discharged or revoked within 10 days; or
- (vi) *Insolvency etc:* (i) the Issuer or any of its Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer or any of its Subsidiaries or the whole or any material part of the undertaking, assets and revenues of the Issuer or any of its Subsidiaries is appointed (or application for any such appointment is made), (iii) the Issuer or any of its Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any material part of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) the Issuer or any material part of its Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than for the purposes of or pursuant to a Permitted Reorganisation); or
- (vii) *Winding up etc:* an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Subsidiaries (otherwise than for the purposes of or pursuant to a Permitted Reorganisation); or
- (viii) *Analogous event:* any event occurs which under the laws of the Republic of Italy has an analogous effect to any of the events referred to in paragraphs (iv) to (vii) above; or

- (ix) *Failure to take action etc:* any action, condition or thing at any time required to be taken, fulfilled or done by the Issuer in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes and the Coupons admissible in evidence in the courts of the Republic of Italy is not taken, fulfilled or done; or
- (x) *Unlawfulness:* it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes,

then any Noteholder may, by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, declare the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their Early Termination Amount together with accrued interest (if any) without further action or formality. Notice of any such declaration shall promptly be given to the Noteholders.

- (b) *Event of Default relating to Subordinated Notes:* This Condition 13(b) applies only to Subordinated Notes. In the event of a winding up of the Issuer other than for the purposes of an amalgamation, merger, reconstruction or reorganisation on terms approved by an Extraordinary Resolution of the Noteholders, any holder of a Subordinated Note may, by written notice to the Issuer at the specified office of the Agent, effective upon the date of receipt thereof by the Agent, declare the Subordinated Notes to be forthwith due and payable whereupon the same shall, subject to the Bank of Italy's approval, become forthwith due and payable at the Early Redemption Amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

14. **Prescription**

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

15. **Replacement of Notes and Coupons**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system), subject to all applicable laws and listing authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

16. **Agents**

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor fiscal agent or Calculation Agent and additional or successor paying agents; *provided, however, that:*

- (a) the Issuer shall at all times maintain a Fiscal Agent; and

- (b) if European Council Directive 2003/48/EC on the taxation of savings, or any law implementing or complying with, or introduced in order to conform to, such Directive is brought into force, the Issuer will ensure that it maintains a Paying Agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to any European Union Directive on the taxation of savings implementing such conclusions; and
- (c) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and
- (d) if and for so long as the Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

17. **Meetings of Noteholders; Modification and Waiver**

- (a) *Meetings of Noteholders:* The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum.* Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification:* The Notes and these Conditions may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

18. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

19. **Notices**

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) and, if the Notes which are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, a leading newspaper having general

circulation in Luxembourg (which is expected to be *d'Wort*) or on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) or, in either case, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

20. Currency Indemnity

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

21. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

22. Governing Law and Jurisdiction

- (a) *Governing law:* The Notes and all matters arising from or connected with the Notes are governed by, and shall be construed in accordance with, English law, except for Conditions 4(b) (*Status of Subordinated Notes*) to 4(d) (*Special provisions relating to Tier III Subordinated Notes*), 10(d) (*Redemption of Subordinated Notes*) and 13(b) (*Events of Default relating to Subordinated Notes*), which are governed by, and shall be construed in accordance with, Italian law.
- (b) *English courts:* The courts of England have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising from or connected with the Notes.
- (c) *Appropriate forum:* The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) *Rights of the Noteholders to take proceedings outside England:* Condition 22(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 22 (*Governing Law and Jurisdiction*) prevents any Noteholder from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

- (e) *Process agent:* The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to The Italian Chamber of Commerce and Industry at 1 Princes Street, London W1B 2AY or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Part XXIII of the Companies Act 1985. If such Person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed and delivered to the Issuer or to the Specified Office of the Fiscal Agent, appoint a further Person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a Person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

FORM OF FINAL TERMS

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

Final Terms dated []

SELLA HOLDING BANCA S.p.A.

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

Under the €1,500,000,000

Euro Medium Term Note Programme

PART A - CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 4 July 2006 [and the supplement to the prospectus dated [] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospective Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. The Prospectus [and the supplement to the Prospectus] [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from [address].]

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

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Base Prospectus dated [original date] [and the supplement to the prospectus dated []]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”) and must be read in conjunction with the Base Prospectus dated 4 July 2006 [and the supplement to the Prospectus dated []], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions, which are extracted from the Prospectus dated [original date] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectuses dated [original date] and [] [and the supplement to the Prospectus dated []]. The Prospectus [and the supplement to the Prospectus] [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from [address].]

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

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

1. Issuer: Sella Holding Banca S.p.A.

2. (i) Series Number: []

(ii) Tranche Number:

(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible). []

3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount of Notes admitted to trading:
- (i) Series: []
- (ii) Tranche: []
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).
5. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (if applicable)]
6. Specified Denominations: []
[]
7. (i) Issue Date: []
- (ii) Interest Commencement Date (if different from the Issue Date): []
8. Maturity Date: [*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
- [Unless otherwise permitted by current laws, regulations, directives and/or the Bank of Italy's requirements applicable to the issue of Subordinated Notes by the Issuer, (i) Lower Tier II Subordinated Notes must have a minimum maturity of five years, (ii) Upper Tier II Subordinated Notes must have a minimum maturity of 10 years and (iii) Tier III Subordinated Notes must have a minimum maturity of 2 years.]*
- [If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another applicable exemption from section 19 of the FSMA must be available.]*
9. Interest Basis: [[] per cent. Fixed Rate]
[[*specify reference rate*] +/- [] per cent. Floating Rate]
[Zero Coupon]
[Index-Linked Interest]
[Other (*specify*)]

(further particulars specified below)

10. Redemption/Payment Basis: [Redemption at par]
[Index-Linked Redemption]
[Dual Currency]
[Partly Paid]
[Instalment]
[Other (*specify*)]

[N.B. If the Final Redemption Amount is other than 100% of the principal amount, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive will apply.]
11. Change of Interest or Redemption/Payment Basis: *[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]*
12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
13. Status of the Notes: [Unsubordinated Notes/Lower Tier II
Subordinated Notes/Upper Tier II
Subordinated Notes/Tier III Subordinated Notes]
14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 15 **Fixed Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate(s) of Interest: [] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [] in each year [adjusted in accordance with *[specify Business Day Convention and any applicable Business centre(s) for the definition of "Business Day"]*]/Not adjusted]
- (iii) Fixed Coupon Amount(s): [] [per Note of [] Specified Denomination and [] per Note of [] Specified Denomination]
- (iv) Day Count Fraction: [30/360][Actual/Actual (ISMA/ISDA/other)]
[If neither of these options applies, give details]
- (v) Broken Amount(s): *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount(s)]*

(vi) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/give details] (Consider if day count fraction, particularly for Euro denominated issues, should be on an Actual/Actual basis. Also consider what should happen to unmatured Coupons in the event of early redemption of the Notes.)
16. Floating Rate Note Provisions	[Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph. Also consider whether EURO BBA LIBOR or EURIBOR is the appropriate reference rate)
(i) Specified Period(s)/Specified Interest Payment Dates:	[]
(ii) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Convention/Preceding Business Day Convention/other (give details)]
(iii) Additional Business Centre(s):	[Not Applicable/give details]
(iv) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (give details)]
(v) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Fiscal Agent):	[[Name] shall be the Calculation Agent (no need to specify if the Fiscal Agent is to perform this function)]
(vi) Screen Rate Determination:	
– Reference Rate:	[For example, LIBOR or EURIBOR]
– Relevant Screen Page:	[For example, Telerate page 3750/248]
– Interest Determination Date(s):	[]
– Relevant Time:	[For example, 11.00 a.m. London time/Brussels time]
– Relevant Financial Centre:	[For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]
(vii) ISDA Determination:	
– Floating Rate Option:	[]
– Designated Maturity:	[]
– Reset Date:	[]
(viii) Margin(s):	[+/-][] per cent. per annum
(ix) Minimum Rate of Interest:	[] per cent. per annum
(x) Maximum Rate of Interest:	[] per cent. per annum
(xi) Day Count Fraction:	[]

- (xii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
17. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) [Amortisation/Accrual] Yield: [] per cent. per annum
- (ii) Reference Price: []
- (iii) Any other formula/basis of determining amount payable: *[Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition 10(h) (Early redemption of Zero Coupon Notes)]*
18. **Index-Linked Interest Note Provisions/
other variable-linked interest Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Index/Formula/other variable: *[Give or annex details]*
- (ii) Calculation Agent responsible for calculating the interest due: []
- (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable: *[Need to include a description of any market disruption or settlement disruption events and adjustment provisions.]*
- (iv) Specified Period(s)/Specified Interest Payment Dates: []
- (v) Business Day Convention: *[Floating Rate Convention/Following Business Day Convention/Modified Following Business Convention/Preceding Business Day Convention/other (give details)]*
- (vi) Additional Business Centre(s): []
- (vii) Minimum Rate/Amount of Interest: [] per cent. per annum
- (viii) Maximum Rate/Amount of Interest: [] per cent. per annum
- (ix) Day Count Fraction: []
19. **Dual Currency Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Rate of Exchange/method of calculating Rate of Exchange: *[Give or annex details]*
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: []

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

PROVISIONS RELATING TO REDEMPTION

- 20 **Call Option** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s) (Call): []
[If the Notes are Subordinated Notes, unless otherwise permitted by current laws, regulations, directives and/or the Bank of Italy's requirements, applicable to the issue of Subordinated Notes by the Issuer, the Optional Redemption Date shall not be earlier than: (i) in the case of Lower Tier II Subordinated Notes, five years after the Issue Date; (ii) in the case of Upper Tier II Subordinated Notes, 10 years after the Issue Date; and (iii) in the case of Tier III Subordinated Notes, 2 years after the Issue Date.]
- (ii) Optional Redemption Amount(s) (Call) of each Note and method, if any, of calculation of such amount(s): [] per Note of [] Specified Denomination
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: []
- (b) Maximum Redemption Amount: []
- (iv) Notice period (if other than as set out in the Conditions): []
21. **Put Option** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [] per Note of [] Specified Denomination
- (iii) Notice period: []
22. **Final Redemption Amount** [] per Note of [] Specified Denomination/other/see Appendix
- [In cases where the Final Redemption Amount is Index-Linked or other variable-linked:]*
- (i) Index/Formula/variable: []

- (ii) Calculation Agent responsible for calculating the Final Redemption Amount: []
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: []
- (iv) Determination Date(s): []
- (v) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: []
- (vi) Payment Date: []
- (vii) Minimum Final Redemption Amount: []
- (viii) Maximum Final Redemption Amount: []

23. Early Redemption Amount

Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default or early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):

[Not Applicable (if both the Early Redemption Amount (Tax) and the Early Termination Amount are the principal amount of the Notes/specify the Early Redemption Amount (Tax) and/or the Early Termination Amount if different from the principal amount of the Notes)]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24 Form of Notes:

Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.]

[Temporary Global Note exchangeable for Definitive Notes on [] days' notice.]

[Permanent Global Note exchangeable for Definitive Notes on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note].

25 New Global Note form:

[Applicable/Not Applicable]

26 Additional Financial Centre(s) or other special provisions relating to Payment Dates:

[Not Applicable/give details. Note that this item relates to the place of payment, and not interest period end dates, to which items 15(ii), 16(iii) and 18(vi) relate]

- 27 Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
- 28 Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/*give details*]
- 29 Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/*give details*]
- 30 Consolidation provisions: [Not Applicable/The provisions [in Condition 18 (*Further Issues*)] [annexed to these Final Terms] apply]
- 31 Other final terms: [Not Applicable/*give details*]
(When adding any other final terms consideration should be given as to whether such terms constitute a “significant new factor” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)

DISTRIBUTION

- 32 (i) If syndicated, names of Managers: [Not Applicable/*give names*]
(ii) Stabilising Manager(s) (if any): [Not Applicable/*give name*]
- 33 If non-syndicated, name of Dealer: [Not Applicable/*give name*]
- 34 TEFRA: [Not Applicable/The [C/D] Rules are applicable]
- 35 Additional selling restrictions: [Not Applicable/*give details*]

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprises the final terms required to list and have admitted to trading the Notes described herein pursuant to the €1,500,000 Euro Medium Term Note Programme of Sella Holding Banca S.p.A.]

[POST-ISSUANCE INFORMATION

Unless otherwise required by applicable laws or regulations, the Issuer does not intend to provide any post-issuance information in relation to any assets underlying the Notes.] [*Only for Notes constituting derivative securities to which Annex XII of Regulation (EC) No. 809/2004 applies*]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [[] has been extracted from []. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [], no facts have been omitted which would render the reproduced inaccurate or misleading.] To the best of the knowledge of the Issuer, having taken all reasonable care to ensure that such is the case, the information contained in these Final

Terms is in accordance with the facts and does not omit anything likely to affect the import of such information.

Signed on behalf of the Issuer:

By:.....

Duly authorised

PART B - OTHER INFORMATION

1. LISTING

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

2. RATINGS

- Ratings: The Notes to be issued have been rated:
[Moody's: []]
[[Other]: []]
(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

[3. NOTIFICATION

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

[4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

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

[5. [*Only applicable if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies*] REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- [(i) Reasons for the offer []
(See "Use of Proceeds" wording in Prospectus – if reasons for offer different from making profit and/or hedging certain risks, will need to include those reasons here.)]
- [(ii) Estimated net proceeds: []
(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all

proposed uses, state amount and sources of other funding.])

[(iii) Estimated total expenses: *[Include breakdown of expenses.]]*

(Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)

[6. **[Fixed Rate Notes only] YIELD**

Indication of yield: []

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

[7. **[Index-Linked or other variable-linked Notes only] PERFORMANCE OF INDEX/FORMULA/ OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING**

(Need to include:

- (i) details of the exercise price or the final reference price of the underlying;*
- (ii) details of where past and future performance and volatility of the index/formula/other variable can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident;*
- (iii) description of any market disruption or settlement disruption events that affect the underlying;*
- (iv) adjustment rules in relation to events concerning the underlying;*
- (v) where the underlying is a security, the name of the issuer of the security and its ISIN or other such security identification code;*
- (vi) where the underlying is an index, the name of the index and a description if composed by the Issuer and, if the index is not composed by the Issuer, details of where the information about the index can be obtained;*
- (vii) where the underlying is not an index, equivalent information;*
- (viii) where the underlying is an interest rate, a description of the interest rate; and*
- (ix) where the underlying is a basket of underlyings, disclosure of the relevant weightings of each underlying in the basket.)*

[8. **[Dual Currency Notes only] PERFORMANCE OF RATE[S] OF EXCHANGE**

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

[9. **OPERATIONAL INFORMATION**

ISIN Code: []

Common Code: []

New Global Note intended to be held in a manner which would allow Eurosystem eligibility: [Not Applicable/Yes/No]

[Note that the designation “Yes” simply means that the Notes are intended upon issue to be

deposited with Euroclear or Clearstream, Luxembourg as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem, either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.]

[Include this text if “Yes” selected, in which case the Notes must be issued in NGN form]

[Not Applicable/give name(s) and number(s)]

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):

Delivery:

Delivery [against/free of] payment

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

[]

[10. FURTHER INFORMATION RELATING TO THE ISSUER

[The information set out in this Schedule may need to be updated if, at the time of the issue of the Notes, any of it has changed since the date of the Base Prospectus]

Objects:

The objects of the Issuer, as set out in Article 4 of its by-laws, are as set out below:

The Company’s objects are the collection of savings from the general public, as well as the granting of credit in its different forms.

In compliance with the regulations in force, and upon provision of the necessary approvals, if required, the Company may perform all permitted banking and financial transactions and services, including activities benefiting from mutual recognition, as well as any other activity connected with or incidental to the achievement of its objects, but with the customary exclusion of purely speculative transactions.

Registered Office:

Via Italia 2, 13900 Biella, Italy

Registration Number:

Registration no. 01709430027, Companies’ Registry, Chamber of Commerce of Biella, Italy.

Amount of paid-up share capital and reserves:

Paid-up share capital: €[amount], consisting of [amount] ordinary shares with a nominal value of €[amount] each.

Reserves: €[amount]

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

Each Global Note will be in bearer form. Consequently, in relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions of the Notes to “Noteholder” are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary (in the case of a CGN) or a common safekeeper (in the case of an NGN) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an “**Accountholder**”) must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder’s share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the bearer of the Global Note.

Exchange of Temporary Global Notes

Whenever any interest in a Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure:

- (a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated and, in the case of an NGN, duly effectuated, to the bearer of the Temporary Global Note; or
- (b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Note in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Fiscal Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Note to, or to the order of, the Fiscal Agent, in any such case within 7 days of the bearer requesting such exchange.

Whenever a Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to, or to the order of, the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) a Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of a Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (b) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Temporary Global Note has requested exchange of the Temporary Global Note for Definitive Notes; or

- (c) a Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of a Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, as the case may be) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such thirtieth day (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under a deed of covenant dated 4 July 2006 (the “**Deed of Covenant**”) executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Exchange of Permanent Global Notes

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to, or to the order of, the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Note has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) a Permanent Global Note (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Note in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant. Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Conditions applicable to Global Notes

Each Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note to, or to the order of, any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that, in respect of a Classic Global Note, the payment is noted in a schedule thereto and, in respect of a New Global Note, the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

Exercise of put option: In order to exercise the option contained in Condition 10(f) (*Redemption at the option of Noteholders*) the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 10(c) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg, at their discretion, as either a pool factor or a reduction in principal amount).

Notices: Notwithstanding Condition 19 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 19 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

DESCRIPTION OF THE ISSUER AND THE GROUP

Incorporation

Sella Holding Banca S.p.A. (“**Sella Holding Banca**” or the “**Bank**” or the “**Issuer**”) is a credit institution incorporated under the laws of Italy as a company limited by shares (*società per azioni*) on 4 October 1991, with a duration running until 31 December 2050, which may be extended with shareholder approval.

Sella Holding Banca has its registered office at Via Italia, 2, 13900 Biella, Italy and its telephone number is +39 015 35011.

Historical Background

The history of Sella Holding Banca S.p.A. dates back to the end of the 19th century, when some members of the Sella family, who had been running a textile business for over three centuries, decided to establish a banking institution which was founded on 23 August 1886 as a limited partnership under the name “Banca Gaudenzio Sella & C.” (the original name of the Issuer). The first branch was opened soon afterwards.

In 1933, when Gaudenzio Sella died, his son, Ernesto Sella, became Managing Partner of the banking institution, which was converted in 1949 into a company limited by shares (*società per azioni*), with Ernesto and his brother Giorgio Sella respectively Chairman and Managing Director. In 1965 its name was changed to “Banca Sella S.p.A.”

In 1974 Giorgio became chairman, while the son of Ernesto, Maurizio Sella, became Managing Director. The company started expanding from its base in Piedmont in north-west Italy to other Italian regions, either by the opening of new branches or by acquisition of existing banks. The Issuer also expanded its presence abroad.

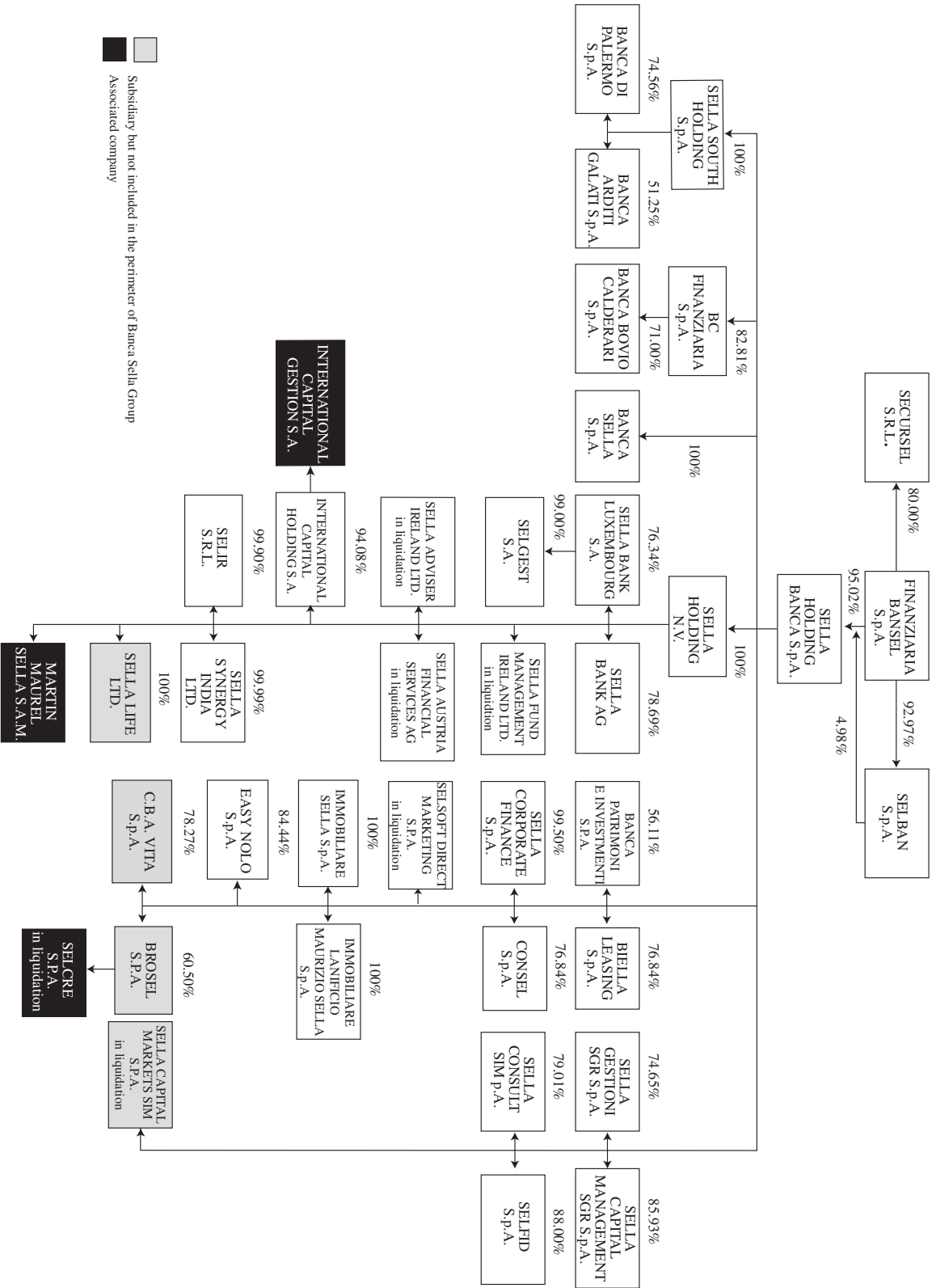
Group Structure

The process of fast and steady growth led to the creation of the Banca Sella Group (the “**Group**”) and, on 11 August 1992, it was enrolled on the register of Banking Groups kept by the Bank of Italy. The Group currently includes 32 companies focused on different financial activities providing a wide range of products and services with 3,798 employees as at 31 December 2005.

The Group acts as a single entity through the Group’s companies. The strategies of the Group’s companies are currently coordinated by Finanziaria Bansel, which also overviews and supervises those companies. With effect from 14 July 2006, following the Group reorganisation described below, this role is expected to be covered by Sella Holding Banca.

The following chart shows the structure of the Group as at June 2006.

Chart of Banca Sella Group



Subsidiary but not included in the perimeter of Banca Sella Group
 Associated company

With effect from 1 January 2006 the Issuer changed its name to “Sella Holding Banca S.p.A.” and spun off its Italian branch network, as well as its asset management and private banking activities, to a newly constituted bank, wholly-owned by the Issuer, called Banca Sella S.p.A. (“**new Banca Sella**”). Sella Holding Banca is the same legal entity as the entity previously known as Banca Sella S.p.A. (“**former Banca Sella**”) and continues to carry on business connected with the financial markets, as well as centralised banking services (such as payment systems, custodian services and virtual bank services) to the whole Group.

The above reorganisation is part of the process of structural adaptation of the Group, started in February 2004. This process is designed to:

- create a more simple Group structure, more in line with international best practices;
- achieve cost synergies and consequently increase efficiency;
- achieve more effective control of activities in order to reduce operational risks;
- concentrate the key skills and areas of specialisation so that each company in the Group will be able to receive higher quality services and products and, in the meantime, better concentrate on its own core business.

The Issuer is controlled by Finanziaria Bansel S.p.A. (“**Finanziaria Bansel**” or the “**parent company**”), which directly holds 95.02 per cent. of the ordinary shares of Sella Holding Banca. Finanziaria Bansel also owns 92.97 per cent. of the ordinary shares of Selban S.p.A., which owns the remaining 4.98 per cent. of the ordinary shares of Sella Holding Banca. Finanziaria Bansel is a holding company, which coordinates and supervises all the companies of the Group and whose share capital is wholly owned by the Sella family through a structure of holding companies (limited partnerships) which, together with specific clauses in the Bank’s articles of association (mainly relating to pre-emption rights) protect Sella Holding Banca from hostile takeovers.

Following the passing of resolutions at extraordinary shareholders’ meetings of the Issuer and Finanziaria Bansel and following approval by the Bank of Italy, Finanziaria Bansel is to be incorporated into the Issuer by means of a reverse merger, which is expected to be effective from 14 July 2006. This represents a further stage in the Group reorganisation described above and, as a result, the Issuer will then become the ultimate holding company of the Group and will coordinate, supervise and oversee all the companies of the Group. No changes in the ownership of the Issuer by the Sella family will arise from the reverse merger.

The intention of the Sella family to retain control of the Bank is also underlined by the fact that a number of Sella family members hold various positions in the Bank and in the parent company. Maurizio Sella is the Chairman of both Finanziaria Bansel and Sella Holding Banca and his son, Pietro, is Managing Director of both companies. To improve corporate governance, several measures have recently been implemented, including the appointment of four new independent directors to the parent company’s Board of Director and the creation of the Audit Committee, which is entirely composed of independent directors.

Business and Strategic Objectives

The Group, through Sella Holding Banca and its subsidiaries, offers a wide range of financial services, including commercial banking, consumer credit, asset management, leasing, insurance, private banking, securities brokerage, e-banking and corporate finance.

Those services are distributed through a network consisting principally of the four commercial Italian banks belonging to the Group and the financial agents (*promotori finanziari*) of Sella Consult SIM S.p.A. The Issuer also carries out overseas activities through its agency in Miami and its representative office in Venezuela.

Although the core business of Sella Holding Banca is commercial banking (through the branch network of Banca Sella nationwide and Banca Bovio Calderari, Banca Arditi Galati and Banca di Palermo at a more local level), in the last decade the Bank has dealt with the challenge of the limitations imposed by its size by specialising in business areas that are characterised by high expected growth rates and relatively higher

returns. In line with this strategy, the management is focusing on the development of asset management and private banking (through private banking business units that provide their customers with a global advice service).

Management's policy also includes the further development of business lines such as electronic payment systems and e-commerce, areas in which it is very strong and able to build on its position despite growing competition, while also updating its products and services in line with the most recent technology developments.

A management strategy of developing new areas of business and new delivery channels has led the Bank and the Group to pay a great deal of attention to the opportunities offered by technological innovation, aiming at offering customers the most suitable products. The interest in the opportunities offered by the Web has allowed a rapid development of Internet banking initiatives that enable the Group to reach a much wider market, eliminating some of the barriers arising from the Group's size.

During the last few years, the Group has started a restructuring process aimed at allowing the younger family members and key managers gradually to increase the responsibilities held by them, as well as reducing the number of its subsidiaries by merging related businesses, reorganising their structure and making management changes with a view to increasing efficiency. In addition, a significant improvement and strengthening of controls took place together with a phase of consolidation of the growth previously achieved, which involved tighter cost control and a reorganisation of foreign activities.

As at 31 December 2005, the Issuer had a total of 202 Italian branches, compared to 193 as at 31 December 2004, whereas the Group had 291 Italian branches, compared to 271 at the previous year end.

Selected Financial Data

The following tables show selected non-consolidated financial data concerning the Issuer prepared in accordance with generally accepted accounting principles in Italy issued by the *Consigli Nazionali dei Dottori Commercialisti e Ragionieri* ("**Italian GAAP**"). The figures shown relate to the Issuer as at 31 December 2005 and do not take account of the transfer of its retail banking business, together with its asset management and private banking activities, to new Banca Sella, with effect from 1 January 2006 (see "- Group Structure").

Balance Sheets

	As at 31 December	
	2005	2004
	<i>(€ millions)</i>	
BALANCE SHEET		
Total assets	7,384.1	6,891.2
Total loans to customers	4,294.3	3,957.3
Guarantees	426.8	308.9
Securities on hand	918.1	912.9
Equity investments	315.8	310.0
Tangible and intangible fixed assets.....	85.4	73.5
Customer savings, current accounts and securities issued ⁽¹⁾	5,354.6	5,055.3
Assets under management and third party securities held in deposit ⁽²⁾⁽³⁾	16,485.0	16,130.6
Capital for supervisory purposes ⁽⁴⁾	534.8	564.6

Notes

- (1) Including repurchase agreements.
- (2) The aggregate amount, excluding cash (included in Customer savings, current accounts and securities issued), is the sum of the following items of section 12 of the Explanatory Notes to the Financial Statements part B: table 12.2 "Assets managed on behalf of customers" and table 12.3 "Third party securities held in deposit (excluding assets under management)".
- (3) The volume of the securities in administration component was affected in 2004 by the temporary transfer of securities pertaining to the subsidiary Gestnord Intermediazione due to the merger of that company with Sella Investimenti Banca, now Banca Patrimoni S.p.A. The figure for 2005 is unaffected by such transaction.
- (4) The figures for the two financial years are not comparable, as the 2005 amount includes the deduction of the shareholding in CBA Vita (insurance company of the Group), amounting to €46.9 million, following the application of regulations concerning precautionary actions issued by the Bank of Italy in force from December 2005.

Income Statements

	Year ended 31 December	
	2005	2004
	<i>(€ millions)</i>	
INCOME STATEMENT		
Net interest income net of equity investments dividends.....	138.9	129.1
Net other banking income	158.6	151.0
<i>Of which:</i>		
Net fees.....	125.8	115.6
Dealing profits/losses	11.3	18.0
Other operating income	26.0	20.2
Other operating expenses	4.5	2.8
Net interest and other banking income net of dividends ⁽¹⁾	297.5	280.1
Administrative expenses ⁽²⁾ and write-downs to tangible and intangible fixed assets	208.4	197.4
Write-downs to loans and to financial assets net of write-up	32.1	38.2
Income taxes ⁽³⁾	16.1	16.5
Net profit for the year.....	27.6	26.9

Notes

- (1) Including dealing profits and losses, other operating charges and other operating income (excluding recovery of stamp duty and other taxes and recovery of expenses for staff attached to subsidiaries).
- (2) Excluding recovery of stamp duty and other taxes and recovery of expenses for staff attached to subsidiaries, including regional business tax (IRAP) relating to staff and attached staff net expenses.
- (3) Excluding regional business tax (IRAP) relating to staff and attached staff net expenses.

Ratios

	As at and for the year ended As at 31 December	
	2005	2004
	(%)	
PROFITABILITY RATIOS		
R.O.E. (return on equity) ⁽¹⁾	7.8	7.9
R.O.A.A. (return on average assets) ⁽²⁾	0.39	0.41
Net interest income excluding equity investments dividends ⁽³⁾ / Net interest income and other banking income	46.7	46.1
Net other banking income ⁽⁴⁾ /Net interest and other banking income	53.3	53.9
CREDIT RISK RATIOS		
Net non performing loans/Cash loans	1.0	0.9
CAPITAL ADEQUACY RATIOS		
Tier 1 capital ratio ⁽⁵⁾	7.0	7.8
Total capital ratio ⁽⁵⁾	10.5	12.9

Notes

- (1) Net profit (before provision to the reserve for general banking risks) over shareholders' equity (including reserve for general banking risks before provisions and excluding revaluation reserves as per Law 342/2000 and Law 266/2005).
- (2) Net profit (before provision to the reserve for general banking risks) over average total assets.
- (3) Net interest income including dividends and income from shares, quotas and other share capital securities, and excluding dividends from equity investments.
- (4) Including dealing profits (losses), other operating charges and other operating income (excluding recovery of stamp duty and other taxes and recovery of expenses for staff attached to subsidiaries).
- (5) The figures for the two financial years are not comparable, as the 2005 amount includes the deduction of the shareholding in CBA Vita (insurance company of the Group), amounting to €46.9 million, following the application of regulations concerning precautionary actions issued by the Bank of Italy in force from December 2005.

The following tables show selected consolidated financial data concerning the Group. Figures as at and for the year ended 31 December 2005 were prepared in accordance with International Financial Reporting Standards (“IFRS”). Figures as at and for the year ended 31 December 2004 have been reclassified in accordance with IFRS, with the exception of IAS 32, IAS 39 and IFRS 4 (see also “Summary Financial Information relating to the Issuer and the Group”).

Consolidated Balance Sheets

	As at 31 December	
	2005	2004
	<i>(€ millions)</i>	
Total assets	10,427.6	9,568.4
Total loans to customers	5,856.9	5,181.0
Guarantees	387.5	296.2
Financial assets	2,250.1	2,101.7
Equity investments	5.8	4.6
Tangible and intangible fixed assets	275.1	268.0
Payable to customers and outstanding securities	8,057.2	7,171.5
Indirect deposits from customers ⁽¹⁾	21,118.6	19,657.8
Capital for supervisory purposes ⁽²⁾	549.2	587.2

Notes

- (1) The aggregate, excluding cash (included in Customer savings, current accounts and securities issued), is the sum of the following items of section “Other Informations” of the Explanatory Notes to the Financial Statements: “Portfolio management”, “Third party securities held on deposit related to the management of the custodian bank”, “Other third party securities held on deposit (excluding securities issued by companies included in the consolidation area)”.
- (2) The figures for the two financial years are not comparable, as the 2005 amount includes the deduction of the shareholding in CBA Vita (insurance company of the Group), amounting to €46.9 million, following the application of regulations concerning precautionary actions issued by the Bank of Italy in force from December 2005.

Consolidated Income Statements⁽¹⁾

	As at 31 December	
	2005	2004
	<i>(€ millions)</i>	
INCOME STATEMENT		
Net interest income	218.9	201.5
Net other banking income	213.0	203.6
Net insurance activity income	12.1	9.8
Net income from banking and insurance activities	444.0	415.0
Operating costs	323.7	302.7
Operating income	120.3	112.3
Write-downs/write-ups for debt write off	41.1	43.9
Income taxes	28.6	26.5
Net profit for the year	30.9	19.5

Notes

- (1) Derived from reclassified consolidated statements of income but not derived directly from the Group’s audited consolidated financial statements.

Consolidated Ratios

	As at and for the year ended As at 31 December	
	2005	2004
	(%)	
PROFITABILITY RATIOS		
R.O.E. (return on equity) ⁽¹⁾	10.0	5.8
R.O.A. (return on assets) ⁽²⁾	0.36	0.24
Net interest income ⁽³⁾ /Net income from banking and insurance activities ⁽³⁾	49.3	48.6
Net other banking income ⁽³⁾ /Net income from banking and insurance activities ⁽³⁾	48.0	49.1
CREDIT RISK RATIOS⁽⁴⁾		
Net non-performing loans/Cash loans	2.4	3.0
CAPITAL ADEQUACY RATIOS⁽⁴⁾		
Tier 1 capital ratio ⁽⁵⁾	5.57	6.12
Total capital ratio ⁽⁵⁾	9.35	10.91

Notes

- (1) Ratio between operating profit and equity, net of valuation reserves, both including third party components.
- (2) Ratio between "Net income, including third party components" and "Total assets".
- (3) Derived from reclassified consolidated statements of income but not derived directly from the Group's audited consolidated financial statements.
- (4) The figures as at 31 December 2004 are prepared in accordance with Italian GAAP.
- (5) The figures for the two financial years are not comparable, as the 2005 amount includes the deduction of the shareholding in CBA Vita (insurance company of the Group), amounting to €46.9 million, following the application of regulations concerning precautionary actions issued by the Bank of Italy in force from December 2005.

The following table shows a breakdown of the Group's Italian branches by region as at 31 December 2005.

Region	Number of branches
Piedmont	134
Puglia	25
Veneto.....	22
Sicily	19
Lazio.....	16
Trentino	16
Lombardy	15
Emilia Romagna.....	12
Campania	10
Liguria	9
Valle d' Aosta	6
Tuscany	3
Sardinia	3
Molise.....	1
Total	291

Commercial Banking

The distribution of banking and financial products in Italy is carried out by the Group companies set out below.

Banca Sella S.p.A.

New Banca Sella owns a nation-wide network of branches which, as at 31 December 2005, totalled of 202 and were grouped in six different geographical areas. Historically, the Issuer mainly established its branches in the Piedmont region but, subsequently, it enlarged its operations in other important financial centres such as Milan, Rome, Genoa, Verona, Naples, Modena, Bologna, Ferrara, Brescia, Florence and Cagliari. As at 31 December 2005, the distribution of the branches by region was as follows: 137 branches in Piedmont and Valle d'Aosta, 14 in Lombardy, 15 in Lazio, 11 in Emilia Romagna and another 25 in Veneto, Liguria, Tuscany, Campania and Sardinia.

Sella Holding Banca directly holds 100 per cent. of the ordinary share capital of new Banca Sella.

As at 31 December 2005 former Banca Sella's assets amounted to €7,384.1 million and its operating income for the year ended 31 December 2005 amounted to €89.3 million.

Banca Bovio Calderari S.p.A.

Banca Bovio Calderari S.p.A. ("**Banca Bovio Calderari**") operates in the Veneto and Trentino-Alto Adige regions in the north-east of Italy, through a network of 29 branches as at 31 December 2005. BC Finanziaria S.r.l. holds 71 per cent. of the ordinary share capital of Banca Bovio Calderari, while the Issuer holds 82.81 of the ordinary share capital of BC Finanziaria S.r.l. As at 31 December 2005, its total assets amounted to €566.8 million and its operating income for the year ended 31 December 2005 to €4.5 million.

Banca Arditi Galati S.p.A.

Active in the southern Italian regions of Puglia, Campania and Molise, this subsidiary had a network of 32 branches as at 31 December 2005. Sella South Holding S.p.A. (a wholly owned subsidiary of the Issuer) holds 51.25 per cent. of its ordinary share capital. It entered the consolidation area of the Group in 2001, while the acquisition of stakes by the Group started in 1996. As at 31 December 2005, its total assets amounted to €679.9 million and its operating income during 2005 was €7.4 million.

Banca di Palermo S.p.A.

Operating in Sicily, this subsidiary had a network of 19 branches as at 31 December 2005. Sella South Holding S.p.A. (a wholly owned subsidiary of the Issuer) holds 75.34 per cent. of its ordinary share capital. As at 31 December 2005, its total assets amounted to €329.8 million and its operating income in 2005 was €2.3 million.

Sella Consult SIM S.p.A.

A network of financial agents (*promotori finanziari*) of Sella Consult SIM S.p.A. works in synergy with the banks of the Group and supports the distribution of banking and financial products of the Group in most Italian regions. Sella Holding Banca holds 79.01 per cent. of the ordinary share capital of Sella Consult SIM S.p.A. and the equity ratio of the parent company (calculated as the sum of direct and indirect equity investment of the parent company) is 88.07 per cent.

Specialist Financial Services

Leasing

Customer financing is mainly carried out by the Italian banks of the Group, principally in the form of personal loans and mortgage loans and current account financing. The financial leasing service is carried out

on behalf of the Group by Biella Leasing S.p.A., which was established in Biella in 1980 and in which the Issuer holds 76.84 of its ordinary share capital. As at 31 December 2005, the total assets of Biella Leasing S.p.A. amounted to €921.9 million.

Consumer credit

Consumer credit, including revolving cards and online credit facilities, is provided by Consel S.p.A., in which Sella Holding Banca holds 76.84 per cent. of its ordinary share capital. As at 31 December 2005 its total assets amounted to €475.9 million.

Private banking and asset management

As regards private banking, the Group operates through Banca Sella and through specialist companies such as Banca Patrimoni S.p.A. in Italy, which was created by the merger (with effect from 1 January 2005), between Sella Investimenti Banca S.p.A. and Gestnord Intermediazione SIM S.p.A.. Sella Holding Banca holds 56.11 per cent. of its ordinary share capital. As at 31 December 2005, this subsidiary had a network of 9 branches (2 branches in Turin, while the remaining are located respectively in Asti, Genoa, Ventimiglia, Bologna, Rome, Milan and Treviso) and assets under management amounted to €1,090.8 million. The other specialist Group company operating in this field is Sella Bank AG in Switzerland, in which Sella Holding N.V. (itself a wholly owned subsidiary of the Issuer) holds 90 per cent. of the ordinary share capital.

Asset management is carried out by Sella Gestioni SGR S.p.A. ("**Sella Gestioni**") and Sella Capital Management SGR S.p.A. ("**Sella Capital Management**"). The activity of Sella Gestioni is directed at retail customers. Its current name was adopted as of 1 April 2006 (previously known as Gestnord Fondi SGR S.p.A.) in conjunction with the incorporation of Fiduciaria Sella SIM p.A. Sella Holding Banca holds 74.65 per cent of its ordinary share capital, whereas the equity ratio of the parent company is 88.43 per cent. As at 31 December 2005 the portfolio managed by Fiduciaria Sella SIM p.A. amounted to €695.1 million while the net value of Italian funds managed by Gestnord Fondi SGR p.A. amounted to €3,191.2 million. The activity of Sella Capital Management is mainly directed at institutional investors. Sella Holding Banca holds 85.93 per cent. of its ordinary share capital, whereas the equity ratio of the parent company is 93.69 per cent.

On 5 May 2006 a new company named Selgest S.A. was established in Luxembourg. Its intended activity is the creation, promotion, administration and management of undertakings for collective investments in transferable securities ("UCITS"). Sella Bank Luxembourg SA holds 99 per cent. and the Issuer holds 1 per cent. of its ordinary share capital.

Insurance and insurance brokerage

The Group also operates in the sector of life insurance through CBA Vita S.p.A. and Sella Life Ltd., a company incorporated in 1999. Sella Holding Banca holds 78.27 per cent. of the ordinary share capital of CBA Vita S.p.A., Sella Gestioni holds 8 per cent and Banca Bovio Calderari S.p.A. holds 5 per cent. Sella Holding N.V. holds 100 per cent. of the ordinary share capital of Sella Life Ltd. Insurance brokerage is carried on by Brosel S.p.A., in which the Issuer holds 60.5 per cent. of the ordinary share capital and Banca Bovio Calderari holds 10 per cent. In accordance with Bank of Italy Regulations these subsidiaries, are not included in the Banking Group, as they do not carry on banking activity, but are nevertheless included in the consolidation area of the Group.

Other services

Sella Corporate Finance S.p.A. is involved in various corporate finance activities, including merger and acquisitions, company valuations and new projects. Sella Holding Banca holds 99.5 per cent. of its ordinary share capital.

Sella Bank Luxembourg SA was established in 1999 in Luxembourg and is mainly involved in custodian services. Sella Holding N.V. holds 76.34 per cent. of its ordinary share capital, while Sella Holding Banca holds the remaining 23.66 per cent. directly. In June 2005, Sella Bank Luxembourg SA acquired Sella Holding Banca's Luxembourg branch.

Within the Group, trusteeship activity is carried out by Selfid S.p.A., in which the Issuer has an 88 per cent. shareholding.

The Group also includes two data processing and software production companies: Sella Synergy India Ltd., in which Sella Holding N.V. holds 99.99 per cent. of the ordinary share capital, and Selir S.r.l., in which Sella Holding N.V. holds 99.90 per cent. and which at present provides services solely to Group companies.

The Group has two real estate companies, Immobiliare Sella S.p.A., in which Sella Holding Banca holds 100 per cent. of the ordinary share capital and Immobiliare Lanificio Maurizio Sella S.p.A., which is 100 per cent. owned by the Issuer, and a few other small companies.

The multibank portal *Sella.it* represents the Group in the Italian and international web environment and also represents a sales channel (in particular, of products such as current accounts, payment services, mutual funds, POS and e-commerce), completely integrated with the branch network physically located on the territory. During the last 10 years the Group has developed its range of services via Internet (which include home banking, mobile banking and trading on line) so as to be more competitive and innovative and to be able to respond better to customers' needs. The strategy of the Group has been to allow the customer to choose whether to use physical or virtual channels in order to obtain services. In addition, starting from April 2006, the new *Websella.it* account has been created and is aimed at those customers who want to use solely the Internet channel.

Lending

New Banca Sella, the principal commercial bank controlled by Sella Holding Banca, is a typical medium-sized commercial bank whose activity is focused on the providing of financial services for individual and corporate customers. New Banca Sella offers short-term, medium-term and long-term loans. Corporate lending activity is directed towards small and medium sized companies, mostly active on a regional or local basis.

In relation to short term financing, as at of 31 December 2005, 211,329 individual customers had current account facilities in place with the former Banca Sella. At the same date, current account financing amounted to €1,032.8 million, being 14.0 per cent. of total assets and 24.1 per cent. of total loans to customers in the balance sheet of the former Banca Sella.

The following table shows the lending of former Banca Sella as at 31 December 2005 and 2004, broken down according to the type of loan.

Types of loans (former Banca Sella)

	As at 31 December			
	2005		2004	
	(€ millions)	(%)	(€ millions)	(%)
Current accounts	1,032.8	24.1	868.6	22.0
Advances	488.6	11.4	438.4	11.1
Other loans not settled in current account	859.7	20.0	852.4	21.5
Personal loans and mortgage loans	1,818.4	42.3	1,706.7	43.1
Non performing loans	41.9	1.0	35.5	0.9
Risk on portfolio	23.0	0.5	26.8	0.7
Securities loaned	5.8	0.1	7.8	0.2
Loans using third parties funds in administration.....	15.7	0.4	17.7	0.4
Other technical forms	8.4	0.2	3.4	0.1
Total loans to customers	4,294.3	100	3,957.3	100

The following table shows a sector-by-sector breakdown of the lending of former Banca Sella as at 31 December 2005 and 2004.

Total Loans by Sector (former Banca Sella)

	As at 31 December	
	2005	2004
	(%)	
Families (retail customers)	35.89	37.57
Commerce, salvage and repairs	12.45	8.83
Textile, shoes, leather and clothes	5.88	6.70
Sale services	12.14	11.05
Credit institutions (including financial, leasing and factoring companies)	6.45	20.40
Building industry and public works	5.97	6.11
Electrical equipment and products	1.52	1.59
Industrial and agricultural machines	1.98	1.92
Others	17.72	5.83
Total loans to customers.....	100.00	100.00

The following table shows former Banca Sella's market share in relation to cash loans as at 31 December 2005 and 2004.

Cash loans market shares (former Banca Sella)

	As at 31 December	
	2005	2004
	(%)	
Italy.....	0.35	0.36
Biella (province)	38.10	34.19
Turin (province)	2.51	2.90

Source: Bank of Italy (in relation to size of market) and internal accounting records of the Issuer (in relation to the size of former Banca Sella's market share).

Credit Policy

The lending activity of Sella Holding Banca is almost exclusively directed at Group companies, while the commercial banks controlled by the Issuer direct their lending activity to retail customers and small and medium-sized companies. Within the Group, consumer loans are principally offered through Consel S.p.A.

When an application for credit is received by a bank in the Group the proposal is first evaluated by the decision-making body at the branch receiving the application directly on the basis of enquiries made on the applicant and on the guarantees which may be taken in respect of the credit. This body may, within the limits of its autonomy, accept or refuse the request, sometimes modifying the original proposal (for example by requesting further security or proposing a reduction in the credit amount requested).

Depending on the size of the credit applied for and on the particular type of credit, credits are approved at various levels in each bank's managing structure, beginning at the lower level of branch head and might progress as far as the Executive Committee and the Board of Directors. In relation to mortgage loans, applications are initially evaluated by a centralised department, which analyses the documentation and other objective features of the property to be mortgaged and of the customer, and prepares an opinion to support the decision-making process.

A large part of commercial loans are secured by mortgages, pledges or other collateral or covered by various types of security and, as at 31 December 2005, secured loans represented 55.1 per cent. of total loans excluding companies included in the Group.

The following table shows former Banca Sella's secured loans as at 31 December 2005 and 2004, broken down according to the type of security.

Former Banca Sella secured loans to customers

	As at 31 December	
	2005	2004
	<i>(€ thousands)</i>	
Mortgages	979,778	1,082,685
Pledge assets:	110,136	103,670
Cash deposits	7,158	17,474
Securities	82,796	57,540
Other instruments	20,182	28,656
Guarantees given by:	685,709	689,575
Governments.....	–	–
Other public bodies	327	374
Banks	12,060	16,935
Other operators	673,322	672,266
Total secured loans	1,775,623	1,875,930

The following table shows former Banca Sella's commercial loans as at 31 December 2005 and 2004, broken down according to maturity.

Former Banca Sella commercial loans by terms of maturity

	As at 31 December	
	2005	2004
	<i>(€ thousands)</i>	
At sight	1,213,292	1,054,445
Up to 3 months	870,846	951,167
Beyond 3 months and up to 12 months	303,254	262,803
Beyond 12 months and up to 5 years	1,171,335	940,048
Beyond 5 years	691,771	708,962
Unspecified duration	43,773	39,836
Total loans to customers	4,294,271	3,957,261
Of which:		
Total loans to companies included in the Group	1,070,863	712,651

A considerable share of commercial loans, approximately 48.5 per cent. of the total, mature within 3 months.

Commercial loans to former Banca Sella's 20 largest customers, excluding companies included in the Group, were €275,056 thousand as at 31 December 2005, representing 8.5 per cent. of commercial loans (excluding companies in the Group), compared to €292,446 thousand or 9.0 per cent. of all commercial loans as at 31 December 2004 (excluding Group companies).

Credit Risk Evaluation and Monitoring

Sella Holding Banca is progressively developing its own Internal Rating Systems according to Supervision Standards, in order to qualify in the future for the use of Internal Rating Based Approaches under the Basel II Regulation.

At present the process of assigning a rating, adopted by Sella Holding Banca and by the commercial banks of the Group, concerns all corporate customers. A rating is assigned to all entities which operate in the following sectors: industrial, trade, services, long term production (*grandi opere*), as well as agriculture, cooperatives, government organisations and financial entities.

During 2006 corporate customers will be subdivided into the following categories: “corporate” and “small and medium-sized enterprises”. While the former will continue to have a rating assigned to them, the latter will have specific scoring methodologies which will also be implemented for retail customers.

The lending activity of the companies of the Group is subject to monitoring activity carried on by the Credit Quality Department of the parent company, which has the task of intervening in order to prevent possible difficulties which could lead to default risks. For this purpose the department constantly verifies trends and the use of credit lines granted to customers using special procedures, one of which, the so-called “credit alerts”, takes into consideration different anomalies that might be identified in the relationship with customers and the specific type of credit and automatically reports the anomaly directly to the branch responsible for each customer. The branch will then take the necessary actions to resolve the anomaly.

Non-performing and Problem Loans

In accordance with the Bank of Italy’s system of classification, problem loans are divided into five categories:

- non-performing loans (*sofferenze*), where the borrower is insolvent;
- doubtful loans (*esposizione incagliate*), where the borrower is in a situation of temporary difficulty which nevertheless is considered likely to be overcome within a reasonable time. The bank cannot take into consideration any security it has on the loan or the existence of possible guarantees;
- restructured loans (*esposizioni ristrutturate*), made by a pool of banks or just one bank where a moratorium has been granted and the rate of interest has been renegotiated at a lower rate or at market rate);
- loans subject to country risk (*esposizioni soggette a rischio paese*), country risk relates to problems of solvency in countries where there are difficulties in respect of the servicing of debt);
- overdue loans (*esposizioni scadute*), loans which are overdue and/or in which the credit limit has been exceeded on an ongoing basis for 180 days. This category was set up in 2005 by the Bank of Italy in accordance with the new Basel Accord.

The following table shows a breakdown of former Banca Sella's non-performing and problem loans as at 31 December 2005 and 2004.

Non-performing and Problem Loans for former Banca Sella

	As at 31 December	
	2005	2004
	<i>(€ thousands)</i>	
Banks		
Non-performing loans	–	–
Doubtful loans	–	–
Overdue	–	–
Restructured loans	–	–
Loans subject to country risk	231	46
Total	231	46
Total loans to banks	1,357,573	1,244,325
Customers		
Non-performing loans	41,936	35,553
Doubtful loans	35,978	67,344
Overdue	18,757	–
Restructured loans	11,441	2,959
Loans subject to country risk	2,797	3,270
Total	110,909	109,126
Total loans to customers	4,294,271	3,957,261

Funding

New Banca Sella, the principal commercial bank controlled by the Issuer, benefits from a historically large and stable customer base through its branch network and obtains funding mainly through retail customer, through deposit-taking and bonds.

Sella Holding Banca is responsible for managing the Group's liquidity position. Sella Holding Banca funding needs are principally met through the interbank deposit market, institutional repurchase agreements and through the placement of bonds with institutional investors. In addition, in October 2005 former Banca Sella sold mortgage loans amounting to €262.4 million in the context of a securitisation transaction.

The following table shows former Banca Sella's funding at 31 December 2005 and 2004, broken down according to type of funding.

Former Banca Sella source of funding

	As at 31 December	
	2005	2004
	<i>(€ thousands)</i>	
Customer deposits (excluding repos)	3,910,040	3,660,017
Interbank deposits.....	1,007,159	919,640
Certificates of deposits and bonds	769,845	836,895
Customer repos and repos for securities lending.....	659,017	540,653
Funds of third parties in administration	15,689	17,680
Total	6,361,750	5,974,885

The following table shows former Banca Sella's funding as at 31 December 2005 and 2004, broken down according to maturity.

Former Banca Sella funding with customers in term of maturity

	As at 31 December	
	2005	2004
	(€ thousands)	
At sight	3,804,087	3,505,967
Up to 3 months	728,904	666,909
Beyond 3 months and up to 12 months	36,049	27,794
Beyond 12 months and up to 5 years	16	–
Beyond 5 years	–	–
Unspecified duration	–	–
Total	4,569,056	4,200,670

The following table shows former Banca Sella's market share in relation to resident customer deposits as at 31 December 2005 and 2004.

Resident customer deposits market shares (former Banca Sella)

	As at 31 December	
	2005	2004
	(%)	
Italy	0.54	0.53
Biella (province)	43.84	46.23
Turin (province)	4.27	4.16

Source: Bank of Italy (in relation to size of market) and internal accounting records of the Issuer (in relation to the size of former Banca Sella's market share).

Consolidated Capitalisation and Indebtedness of Finanziaria Bansel S.p.A.

The following table shows the consolidated capitalisation of Finanziaria Bansel S.p.A. as at 31 December 2005. There has been no material change in the capitalisation and indebtedness of Finanziaria Bansel S.p.A. since 31 December 2005. Small entity changes are indicated in notes below.

**As at 31
December
2005**

(€ thousands)

Short-term debt⁽¹⁾	
Sums owed to financial institutions	424,483
Sums owed to customers	6,456,569
Liabilities represented by securities ⁽²⁾	358,458
Total short-term debt	7,239,510
Medium-term debt⁽¹⁾	
Sums owed to financial institutions	39,329
Sums owed to customers	2,351
Liabilities represented by securities ⁽³⁾	699,985
Total medium-term debt	741,665
Long-term debt⁽¹⁾	
Sums owed to financial institutions	11,179
Sums owed to customers	250,203
Liabilities represented by securities ⁽⁴⁾	289,413
Total long-term debt	550,795
Subordinated liabilities ⁽⁵⁾	252,431
Unspecified-term debt	
Sums owed to financial institutions	–
Sums owed to customers	231
Liabilities represented by securities	–
Total unspecified-term debt	231
Capital stock	20,000
Additional paid-in capital	–
Reserves	275,731
Own shares (-)	979
Valuation reserve	35,178
Capital instruments	–
Profit for the period	30,938
Total shareholders' equity	360,868
Total Capitalisation	9,145,500

Notes

- (1) Short-term debt is defined as amounts due within one year, medium-term as amounts due within one to five years and long-term debt as amounts due after more than five years.
- (2) Since 31 December 2005, Banca di Palermo bonds of a total principal amount of €12 million have matured, of which €9.5 million matured by May 2006.
Since 31 December 2005, Banca Bovio Calderari bonds of total principal amount of €13 million have matured.
Since 31 December 2005, Arditì Galati bonds of a total principal amount of €15.128 million have matured.
Since 31 December 2005, Sella Holding Banca bonds of a total principal amount of €55.738 million have matured.
- (3) On 4 January 2006 new Banca Sella issued a €300 million floating rate bond due 2009, fully subscribed for by Sella Holding Banca. On 10 January 2006 new Banca Sella issued a €50 million floating rate bond due 2010.
On 10 January 2006 Banca Bovio Calderari issued a €15 million floating rate bond due 2009 and a €5 million floating rate bond due 2008. On 3 April 2006, Banca Bovio Calderari issued a €2.5 million fixed rate bond due 2008 and, on 2 May 2006, it issued a €2.5 million fixed rate bond due 2008.
On 24 January 2006 Banca Arditì Galati issued a €5 million fixed rate bond due 2010 and, on 10 May 2006, it issued a €2.5 million fixed rate bond due 2011 and a €2.5 million fixed rate bond due 2009.
On 2 May 2006 Sella Holding Banca issued a €10 million Tier III subordinated floating rate bond due 2009.
On 1 June 2006 Sella Holding Banca issued a €100 million floating rate bond due 2009.
- (4) On 4 January 2006 new Banca Sella issued a €200 million floating rate bond due 2012, fully subscribed for by Sella Holding Banca. On 26 January 2006 Banca Arditì Galati issued a €5 million fixed rate bond due 2012.
On 18 April 2006 Banca di Palermo issued a €4 million fixed rate bond due 2013.
On 18 April 2006 new Banca Sella issued a €0.36 million fixed rate bond due 2021 and a €0.08 million fixed rate bond due 2016
- (5) On 4 January 2006 new Banca Sella issued a €100 million Lower Tier II floating rate bond due 2013, fully subscribed for by Sella Holding Banca.
Since 31 December 2005, Banca di Palermo bonds of a total principal amount of €0.2 million have matured

Financial Markets and Risk Management

The Issuer is active in the main domestic and international financial markets. In relation to regulated markets, the Issuer's position is as follows:

Market	Position
Italian Government Bond Market "Telematico" (MTS)	Primary Dealer
Italian Equity Derivatives Market (IDEM)	Dealer (Primary Market Maker on S&PMIB Options and on S&PMIB MiniFuture)
Interbank Deposits Market (e-MID)	Dealer
Milan Stock Exchange (MTA, MTAX, SeDeX, MOT, EuroMOT)	Dealer
HDAT (Greek Electronic Secondary Securities Market)	Dealer
Eurex	Dealer

In relation to market risk, Sella Holding Banca monitors risk in two different ways, depending on whether it arises from commercial activities (including commercial activities of the principal companies of the Group) or capital markets activities.

The main risk in commercial activities is that of mismatching between assets and liabilities. In recent years the Bank has actively pursued a policy of matching assets and liabilities, with the result that the balance sheet is largely matched. Every month the Assets and Liabilities Management Committee meets to determine interest rate risk management strategy.

Value at Risk is used to measure risks in relation to capital markets activities, especially in relation to the activities carried out in the dealing room. Value at Risk calculated through historical simulation is a market standard method for risk evaluation.

Limits are assigned, both for intraday and overnight positions in relation to foreign exchange risk, money market risk, interest risk and bond and equity market risk.

As support to the trading activity and in order to achieve a correct management of those risks, a specific risk management and position keeping software is used. This software allows the monitoring of trading risk on a real time basis and includes the monitoring of counterparty risk.

The Risk Management Financial Control unit of the parent company, which reports directly to the top management, is an independent unit which ensures that the assigned operating limits are correctly applied by the dealing room traders.

Regulatory capital

The Issuer has adopted risk-based capital ratios ("**Capital Ratios**") pursuant to EU 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 Basel 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**").

The Issuer calculates and reports its capital adequacy ratios on a non-consolidated basis. In accordance with Bank of Italy regulations, the Issuer is required to maintain a total capital adequacy ratio (total capital to Risk-Weighted Assets) of at least 7 per cent. The following table shows the Issuer's capital levels and relevant ratios as at 31 December 2005 and 2004, which fully comply with the levels prescribed by the Bank of Italy.

	As at 31 December	
	2005	2004
	<i>(€ thousands)</i>	
Regulatory capital		
Tier 1 capital.....	361,329	344,673
Tier 2 capital.....	220,705	220,867
Items to be deducted ⁽¹⁾	47,185	904
Capital for supervisory purposes	534,849	564,636
Minimum regulatory requirements		
Credit risks	348,113	302,034
Market risks	7,330	5,929
Tier 3 subordinated liabilities.....	7,330	5,929
Other requirements	5,552	2,052
Total minimum requirements	360,995	310,015
Risk-weighted assets and adequacy ratios		
Risk-weighted assets ⁽²⁾	5,157,070	4,428,787
	(%)	
Tier 1 capital/Risk-weighted assets ⁽¹⁾	7.01	7.78
Regulatory capital/Risk-weighted assets ⁽¹⁾	10.51	12.88

Notes

- (1) The figures for the two financial years are not comparable, as the 2005 amount includes the deduction of the shareholding in CBA Vita (insurance company of the Group), amounting to €46.9 million, following the application of regulations concerning precautionary actions issued by the Bank of Italy in force starting from December 2005.
- (2) Total minimum regulatory requirements multiplied by the reciprocal of the minimum compulsory rate relevant to credit risks.

Share Capital

The authorised and paid up share capital of Sella Holding Banca as at 1 January 2006 was €80 million, divided into 160,000,000 ordinary shares of nominal value €0.50 each.

Management of Finanziaria Bansel

The top management of Finanziaria Bansel, includes the chairman (Maurizio Sella), the Managing Director and General Manager (Pietro Sella) and two co-general managers (Guido Bigiordi and Attilio Viola).

Board of Directors

The Board of Directors of the parent company is presently composed as follows:

Name	Title	Roles outside of Group
Maurizio Sella ^(*)	Chairman	Director Buzzi Unicem S.p.A. Director Toro Assicurazioni S.p.A.
Pietro Sella ^(*)	Managing Director	Director Borsa Italiana S.p.A.
Lodovico Sella ^(*)	Vice Chairman	Director Società Reale Mutua di Assicurazioni S.p.A. Director Banca Reale S.p.A.
Franco Sella ^(*)	Vice Chairman	
Federico Sella ^(*)	Director	
Sebastiano Sella ^(*)	Director	Director Eurofidi Director FINPIEMONTE S.p.A.
Pier Vittorio Magnani	Director	
Enzo Panico	Director	
Giovanni Rosso	Director	
Marco Scarzella	Director	
Vittorio Sella	Director	
Mario Cattaneo	Independent Director	Director Euromobiliare Alternative Investments SGR S.p.A. Director Banca Lombarda e Piemontese S.p.A. Director Bracco S.p.A. Chairman C.B.I. Factor S.p.A. Director Euromobiliare Asset Management SGR S.p.A. Director Luxottica Group S.p.A. Director OTIS S.p.A.
Mario Deaglio	Independent Director	Director L'Oréal Italia S.p.A. Director Pininfarina S.p.A. Director Toro Assicurazioni S.p.A.
Marco Weigmann	Independent Director	Director Auchan S.p.A. Director Buzzi Unicem S.p.A. Director Italiana Assicurazioni S.p.A. Director Pernigotti S.p.A. Director Reale Immobili S.p.A. Director Sara Assicurazioni S.p.A. Director Società Reale Mutua di Assicurazioni S.p.A.
Giovanni Zanetti	Independent Director	Chairman Board of Statutory Auditors FEEM Servizi S.r.l. Statutory Auditor Planco Finanziaria S.r.l. Director Microtecnica S.r.l.

(*) Members of the Executive Committee

According to the Articles of Association of Finanziaria Bansel, the Board of Directors consists of no less than seven and no more than fifteen members. The number of members of the Board is fixed by the shareholders' meeting at the moment of their appointment. Directors are appointed for a period of no more than three financial years and may be appointed again.

The Board of Directors appoints one of its members as Chairman if the ordinary shareholders' meeting has not appointed him, and one or more vice-chairmen. The Board may also appoint a Managing Director.

The Board of Directors meets as a rule once a month and each time the Chairman or the Managing Director or three directors or two auditors see the need to call a meeting and, in all other cases, as provided for by law.

The Board of Directors is fully empowered to undertake the ordinary and extraordinary management of the company in order to carry out all actions that may be deemed suitable to achieve and put into practice the company's object of activity, except for those powers that, by law, must be exercised by the shareholders' meeting.

The business address of each of the directors is Via Italia, 2, 13900 Biella, Italy.

Audit Committee

The Audit Committee has been created by the Board of Directors and is presently composed of the following independent directors:

Name	Title
Avv. Marco Weigmann	Chairman
Prof. Mario Cattaneo	Member
Prof. Giovanni Zanetti	Member

The Audit Committee has investigating, advisory and proposal functions and oversees the parent company's internal audit activity. The head of Internal Audit reports directly to the committee. It is expected that, following the incorporation of Finanziaria Bansel into the Issuer, the Audit Committee will perform the same role within Sella Holding Banca.

Board of Statutory Auditors

The Board of Statutory Auditors of Finanziaria Bansel is presently composed as follows:

Name	Title
Alberto Rizzo	Chairman
Vittorio Bernero	Standing Auditor
Alessandro Rayneri	Standing Auditor
Benito Rimini	Alternate Auditor
Roberto Cravero	Alternate Auditor

According to the Articles of Association of Finanziaria Bansel, the Board of Statutory Auditors, is appointed by the company's shareholders and consists of three standing auditors, among whom a Chairman is appointed, and two alternate auditors. The shareholders' meeting fixes their remuneration.

All statutory auditors continue in office for three financial years and may be re-appointed after the expiry of their term. Standing Auditors must attend meetings of the Board of Directors, the Executive Committee and shareholders' meetings, and must themselves meet at least every 90 days.

Independent auditors

Pursuant to a shareholders' resolution passed on 23 September 2004, Reconta Ernst & Young S.p.A. has been re-appointed as external auditors to Finanziaria Bansel for the financial years 2004, 2005 and 2006. Reconta Ernst & Young S.p.A. is a member of Assirevi, the Italian Association of Auditors.

Management of the Issuer

The top management of Sella Holding Banca includes the Managing Director (Pietro Sella) and the Co-General Managers (Guido Bigiordi and Attilio Viola).

Board of Directors

The Board of Directors of Sella Holding Banca is presently composed as follows:

Name	Title	Roles outside of Group
Maurizio Sella ^(*)	Chairman	Director Buzzi Unicem S.p.A. Director Toro Assicurazioni S.p.A.
Pietro Sella ^(*)	Managing Director	Director Borsa Italiana S.p.A.
Franco Sella ^(*)	Vice Chairman	
Guido Bigiordi ^(*)	Director	
Pier Vittorio Magnani	Director	
Giovanni Rosso	Director	
Marco Scarzella	Director	
Federico Sella ^(*)	Director	
Sebastiano Sella ^(*)	Director	Director Eurofidi Director FINPIEMONTE S.p.A.
Attilio Viola ^(*)	Director	

(*) Members of the Executive Committee

According to the Articles of Association of Sella Holding Banca, the Board of Directors consists of no less than seven and no more than fifteen members. The number of members of the Board of Directors is fixed by the shareholders' meeting at the moment of their appointment. Directors are appointed for a period of no more than three financial years and may be re-appointed. Their appointment lasts until the date of the shareholders' meeting called for approval of the financial statements in respect of the third financial year of the appointment.

The Board of Directors, after each re-election and within ten days from the date of the ordinary shareholders' meeting, appoints one of its members as Chairman, if the shareholders have not already done so, and one or more vice-chairman. The Board may also appoint a Managing Director.

The Board of Directors meets as a rule once a month and each time the Chairman or the Managing Director or three directors or two statutory auditors see the need to call a meeting and in all other cases as provided for by law.

The Board of Directors is fully empowered to undertake the ordinary and extraordinary management of the company in order to carry out all actions that it considers appropriate to achieve and put into practice the company's objects, except for those powers that, by law, must be exercised by the shareholders' meeting.

The business address of each of the directors is Via Italia, 2, 13900 Biella, Italy.

Following the incorporation of Finanziaria Bansel into the Issuer, the Board of Directors of the Issuer is expected to change and to be made up of the current members of the Board of Directors of Finanziaria Bansel.

Conflicts of interest

As far as the Issuer is aware, save as set out in the table above, there are no material potential conflicts of interest arising from the duties of the directors to the Issuer and their private interests or other duties.

Board of Statutory Auditors

The Board of Statutory Auditors of Sella Holding Banca is presently as follows (having been appointed until the shareholders' meeting called for approval of the financial statements for the year ending 31 December 2005):

Name	Title
Alberto Rizzo	Chairman
Paolo Picatti	Standing Auditor
Alessandro Rayneri	Standing Auditor
Riccardo Foglia Taverna	Alternate Auditor
Mario Pia	Alternate Auditor

According to the Articles of Association of Sella Holding Banca, the Board of Statutory Auditors is appointed by the shareholders and consists of three standing auditors, among whom a Chairman is appointed, and two alternate auditors. The shareholders' meeting fixes their remuneration.

All statutory auditors continue in office for three financial years and may be re-appointed after the expiry of their term. Standing auditors must attend meetings of the Board of Directors, the Executive Committee and shareholders, and must themselves meet at least every 90 days.

Independent auditors

Pursuant to a shareholders' resolution passed on 29 April 2005, Reconta Ernst & Young S.p.A. has been re-appointed as external auditors to the Issuer for the financial years 2005, 2006 and 2007

Employees

The following tables show the number of employees and branches of the Issuer and of Group as at 31 December 2005 and 2004.

	As at 31 December	
	2005	2004
N° of employees of Group	3,798	3,745
N° of employees of Issuer	2,290	2,264

SUMMARY FINANCIAL INFORMATION RELATING TO THE ISSUER AND THE GROUP

The Issuer's audited non-consolidated financial statements and Finanziaria Bansel's consolidated financial statements as at and for the years ended 31 December 2005 and 2004, in each case together with the accompanying notes, are incorporated by reference in this Base Prospectus. See "Documents Incorporated by Reference".

The Issuer's non-consolidated annual financial statements as at and for the years ended 31 December 2005 and 2004 have been prepared in accordance with Italian GAAP.

Finanziaria Bansel's financial statements as at and for the year ended 31 December 2005 have been prepared in accordance with IFRS and include comparative tables showing, *inter alia*, income statement and balance sheet items as at and for the year ended 31 December 2004 reclassified in accordance with IFRS. Finanziaria Bansel exercised the option under IFRS 1 (*First-time Adoption of IFRS*) concerning non-application of IAS 32 (*Financial Instruments: Disclosure and Presentation*), IAS 39 (*Financial Instruments: Recognition and Measurement*) and IFRS 4 (*Insurance Contracts*) in relation to the comparative figures for 2004. Accordingly, Finanziaria Bansel has applied all approved standards under IFRS with retrospective effect from 1 January 2004, except for IAS 32 and 39 and IFRS 4, which have been applied with effect from 1 January 2005. As a result, the 2004 annual financial information is not fully comparable with the corresponding 2004 annual information.

The historic financial statements of Finanziaria Bansel as at and for the year ended 31 December 2004 incorporated by reference in this Base Prospectus have been prepared in accordance with Italian GAAP.

All of the above financial statements of Finanziaria Bansel and the Issuer have been audited by Reconta Ernst & Young S.p.A., whose reports thereon are attached to such financial statements.

The Issuer does not currently publish consolidated financial statements and its annual non-consolidated financial statements incorporated by reference in this Base Prospectus do not take account of the transfer of its retail banking business, together with its asset management and private banking activities, to new Banca Sella, a newly-incorporated, wholly owned subsidiary of the Issuer, with effect from 1 January 2006. See also "Description of the Issuer and the Group - Group Structure", which describes this transaction.

The consolidated financial statements incorporated by reference into this Base Prospectus are those of Finanziaria Bansel, parent company of the Issuer. Although Finanziaria Bansel is currently a holding company and not an operating company, the information contained in its consolidated financial statements does not purport to be equivalent to the information that would be contained in any financial statements of the Issuer if they were consolidated and investors are cautioned not to place undue reliance upon them. See also "Description of the Issuer and the Group - Group Structure", which also describes the reverse merger, by which Finanziaria Bansel is to be incorporated into the Issuer.

Pursuant to the reverse merger, Finanziaria Bansel is to be incorporated into the Issuer, which would then become the ultimate holding company of the Group. As a result, the Issuer expects to publish consolidated financial statements for the first time as at and for the year ending 31 December 2006 and to prepare such consolidated financial statements in accordance with IFRS. The Issuer believes that the basis of preparation (for comparison purposes) of its consolidated financial statements as at and for the year ending 31 December 2006 will not substantially differ from the consolidated financial statements of Finanziaria Bansel as at and for the year ended 31 December 2005.

The Issuer will, at the specified offices of the Paying Agents, provide, free of charge, upon oral or written request, the above-mentioned annual financial statements and financial information incorporated by reference into this Base Prospectus. Written or oral requests for such documents should be directed to the specified office of any Paying Agent or to the specified office of the Listing Agent in Luxembourg. In addition such documents will be available, without charge, on the website of the Luxembourg Stock Exchange (www.bourse.lu).

The following tables present the annual non-consolidated balance sheet and income statement of the Issuer as at and for the year ended 31 December 2005 and 2004, and the annual consolidated balance sheet and

income statement of Finanziaria Bonsel as at and for the year ended 31 December 2005, together with the IFRS reclassified balance sheet and income statement as at and for the year ended 31 December 2004 referred to above. This information derives from, should be read in conjunction with, and is qualified in its entirety by reference to, the full financial statements of the Issuer and Finanziaria Bonsel incorporated by reference into this Prospectus, in each case together with the notes thereto.

SELLA HOLDING BANCA S.p.A.
NON-CONSOLIDATED BALANCE SHEETS⁽¹⁾

	As at 31 December	
	2005	2004
ASSETS	<i>(€ thousands)</i>	
Cash and deposits with central banks and post offices	62,500	80,067
Treasury bills and other bills eligible for refinancing with central banks	163,276	171,732
Due from banks:	1,357,573	1,244,324
a) at sight	257,102	96,841
b) other deposits	1,100,471	1,147,483
Due from Customers	4,294,271	3,957,261
of which:		
- funds of third parties in administration	15,682	17,677
Bonds and other debt securities:	749,680	739,284
a) issued by public bodies	475,641	545,067
b) issued by banks	178,527	126,343
of which:		
- own securities	3,583	9,862
c) issued by financial institutions	81,671	61,401
d) issued by other issuers	13, 841	6,473
Equity shares, quotas and other share capital securities	5,119	1,867
Equity investments	30,425	33,249
Investments in subsidiaries	285,357	276,755
Intangible fixed assets	18,016	18,645
Of which:		
- start-up costs	-	-
- goodwill	2,481	3,128
Tangible fixed assets	67,386	54,928
Other assets	309,902	277,998
Prepayments and accrued income:	40,642	35,091
a) accrued income	35,648	30,010
b) prepayments	4,994	5,081
of which:		
- discounts on bond issues	508	304
Total assets	7,384,147	6,891,201

(1) Prepared in accordance with Italian GAAP.

SELLA HOLDING BANCA S.p.A.
NON-CONSOLIDATED BALANCE SHEETS⁽¹⁾

	As at 31 December	
	2005	2004
	<i>(€ thousands)</i>	
LIABILITIES		
Due to banks:	1,007,159	919,639
a) at sight.....	433,147	324,413
b) time deposits or with notice period	574,012	595,226
Due to customers:	4,569,057	4,200,670
a) at sight.....	3,767,984	3,466,022
b) time deposits or with notice period	801,072	734,648
Securities issued:.....	769,845	836,895
a) bonds.....	719,985	800,595
b) certificates of deposits	3,182	3,252
c) other	46,679	33,048
Funds of third parties in administration	15,689	17,680
Other liabilities	289,873	227,873
Accruals and deferred income:	15,333	16,530
a) accruals	11,131	12,287
b) deferred income	4,202	4,243
Staff severance provision	29,065	26,747
Provisions for risks and charges:	59,108	36,414
a) pensions and similar obligations.....	–	–
b) taxation	34,420	23,098
c) other	24,688	13,316
Reserve for possible loan losses	6,458	8,976
Reserve for general banking risks.....	54,744	54,744
Subordinated liabilities	218,828	223,425
Subscribed capital	80,000	80,000
Share premium account.....	49,414	49,414
Reserves:	171,687	156,435
a) legal reserve	25,442	22,219
b) reserve for own shares	–	–
c) statutory reserves.....	84,809	74,063
d) other reserves	61,436	60,153
Revaluation reserves	20,248	8,895
Profit or loss for the year	27,639	26,864
Total liabilities	7,384,147	6,891,201
Guarantees given	426,812	308,896
of which:		
– acceptances.....	1,573	3,188
– other guarantees	425,239	305,708
Commitments	260,644	330,552
of which:		
– sales with repurchase engagement.....	–	–

(1) Prepared in accordance with Italian GAAP.

SELLA HOLDING BANCA S.p.A.
NON-CONSOLIDATED INCOME STATEMENTS⁽¹⁾

	As at 31 December	
	2005	2004
	<i>(€ thousands)</i>	
Interest receivable and similar income	237,491	213,720
of which:		
– from due from customers	176,217	162,806
– from debt securities	27,099	24,337
Interest payable and similar charges	(102,085)	(86,775)
of which:		
- on due to customers	(45,052)	(40,486)
- on securities issued	(17,384)	(17,038)
Dividends and other income:	7,214	4,495
a) from equity shares, quotas and other share capital securities	3,515	2,190
b) from investments.....	2,263	1,268
c) from investments in subsidiaries.....	1,436	1,037
Fees and commissions receivable	195,384	176,057
Fees and commissions payable	(69,576)	(60,483)
Dealing profits or losses	11,303	17,972
Other operating income.....	59,738	38,601
Administrative expenses	(219,977)	(192,795)
a) staff expenses	(111,825)	(106,808)
of which:		
– wages and salaries	(82,700)	(79,089)
– social security charges	(21,756)	(20,845)
– staff severance	(4,298)	(3,980)
– pensions and similar commitments	(2,704)	(2,611)
b) other	(108,152)	(85,987)
Write-downs to tangible and intangible fixed assets ..	(18,169)	(18,853)
Provisions for risks and charges	(16,801)	(4,575)
Other operating expenses	(4,488)	(2,801)
Write-downs to loans and provisions for guarantees and commitments	(32,838)	(40,620)
Write-ups to loans and provisions for guarantees and commitments	7,336	5,001
Provisions to the reserves for possible loan losses	(2,068)	(1,667)
Write-ups to financial fixed assets	(6,568)	(2,567)
Write-downs to financial fixed assets	–	647
Profit (loss) on equity investments in subsidiaries evaluated according to the equity method		
Profit on ordinary activities.....	45,896	45,357
Extraordinary income	13,725	6,033
Extraordinary expenses	(12,023)	(3,894)
Extraordinary profit or loss	1,702	2,139
Variation of general banking risk reserve	–	–
Income taxes for the year	(19,959)	(20,632)
Profit for the year	27,639	26,864

(1) Prepared in accordance with Italian GAAP.

FINANZIARIA BANSEL S.p.A.
CONSOLIDATED BALANCE SHEETS

	As at 31 December	
	2005⁽¹⁾	2004⁽²⁾
ASSETS	<i>(€ thousands)</i>	
Cash and liquid assets	91,554	106,262
Financial assets held for trading	1,918,462	1,765,877
Financial assets carried at fair value	-	-
Financial assets available for sale	248,683	253,145
Financial assets held to maturity	82,907	82,679
Loans to banks	1,498,625	1,485,600
Loans to customers	5,856,944	5,180,953
Hedging derivatives.....	3,395	-
Change in value of financial assets recorded as part of a macrohedge.....	-	-
Equity investments	5,799	4,563
Technical reserves reinsured with third parties.....	2,179	1,128
Tangible assets.....	215,640	208,352
Intangible assets	59,416	59,606
of which:		
- goodwill	41,039	42,978
Tax assets:	96,564	74,461
(a) current	37,510	54,949
(b) pre-paid	59,054	19,512
Non current assets and group of assets from discontinued operations	-	12,089
Other assets	347,455	333,682
Total assets	10,427,623	9,568,397

(1) Prepared in accordance with IFRS.

(2) Reclassified in accordance with IFRS, with the exception of IAS 32, IAS 39 and IFRS 4.

FINANZIARIA BANSEL S.p.A.
CONSOLIDATED BALANCE SHEETS (Cont'd)

	As at 31 December	
	2005⁽¹⁾	2004⁽²⁾
LIABILITIES	<i>(€ thousands)</i>	
Due to banks	474,991	633,806
Due to customers.....	6,709,354	5,749,540
Outstanding securities	1,347,856	1,421,957
Financial liabilities – held for trading.....	41,321	37,697
Hedging derivatives.....	11,995	–
Tax liabilities:	66,805	56,791
a) current	56,580	37,561
b) deferred	10,225	19,230
Liabilities related to discontinued operations	–	8,588
Other liabilities	582,999	314,193
Provisions for employee termination indemnities	45,946	40,950
Provisions for risks and charges:	33,923	17,164
– retirements and similar commitments	–	–
– other	33,923	17,164
Technical reserves	671,786	850,323
Valuation reserves	35,178	25,140
Reserves.....	275,731	291,221
Capital	20,000	20,000
Own shares (-).....	(979)	(979)
Minority interests (+/-)	79,779	82,458
Profit (loss) for the period.....	30,938	19,548
Total liabilities	10,427,623	9,568,397

(1) Prepared in accordance with IFRS.

(2) Reclassified in accordance with IFRS, with the exception of IAS 32, IAS 39 and IFRS 4.

FINANZIARIA BANSEL S.p.A.
CONSOLIDATED INCOME STATEMENTS

	As at 31 December	
	2005 ⁽¹⁾	2004 ⁽²⁾
	<i>(€ thousands)</i>	
Interest income and similar revenues	367,123	341,693
Interest expenses and similar charges	(134,412)	(123,261)
Net interest income	232,711	218,432
Commissions receivable	296,112	288,114
Commissions payable	(101,324)	(105,997)
Net commissions	194,788	182,117
Dividends and other revenues	6,490	4,351
Net result of trading activity	34,273	36,090
Net result of hedging transactions.....	(284)	-
Profit (loss) from sale or repurchase of:	9,586	5,237
a) receivables.....	-	-
b) available for sale financial assets	9,417	5,237
c) held to maturity financial assets	-	-
d) financial liabilities.....	169	-
Net interest and other banking income	477,564	446,227
Net write-down/write-up to:	(41,256)	(44,311)
a) receivables.....	(41,101)	(43,882)
b) available for sale financial assets	(155)	(429)
c) held to maturity financial assets	-	-
d) other financial transactions	-	-
Net result of financial management activities	436,308	401,916
Net premiums	57,897	104,494
Balance of other income/charges arising on insurance management activities	(81,878)	(130,524)
Net result of financial management and insurance management activities	412,327	375,886
Administrative costs:.....	(329,716)	(312,016)
a) personnel	(195,547)	(182,043)
b) other administrative cost.....	(134,169)	(129,973)
Net accruals to provisions for risks and charges	(21,040)	(8,630)
Net write-down/write-up to tangible assets	(15,245)	(16,103)
Net write-down/write-up to intangible assets	(10,567)	(10,886)
Other operating expenses/income	38,955	43,103
Operating costs	(337,613)	(304,512)
Income (losses) from equity investments	(121)	347
Impairment of goodwill	(1,628)	(10,085)
Profit (losses) on disposal of investments	151	7
Operating profit (loss) before taxation	73,116	61,643
Income taxes for the period.....	(35,707)	(33,341)
Net profit (loss) for the period	37,409	28,302
Net profit (loss) on groups of discontinued operations	-	(5,363)
Profit (loss) for the period	37,409	22,939
Profit (loss) for the period attributable to minority interests	6,471	3,391
Parent company profit (loss) for the period	30,938	19,548

(1) Prepared in accordance with IFRS.

(2) Reclassified in accordance with IFRS, with the exception of IAS 32, IAS 39 and IFRS 4.

TAXATION

Italian Taxation

The following is a general summary of certain Italian tax consequences of acquiring, holding and disposing of Notes. It does not purport to be a complete analysis of all tax considerations that may be relevant to the decision to purchase, own or dispose of Notes and does not purport to deal with the tax consequences applicable to all categories of prospective beneficial owners of Notes, some of which may be subject to special rules. This summary is based upon Italian tax laws and/or practice in force as at the date of this Base Prospectus, which are subject to any changes in law and/or practice occurring after such date, which could be made on a retroactive basis. The Issuer will not update this summary to reflect changes in law and, if any such change occurs, the information in this summary could be superseded.

Prospective purchasers of Notes should consult their tax advisers as to the overall tax consequences of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws.

General

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

Taxation of income

Italian resident Noteholders

Pursuant to Decree No. 239, payments of Interest relating to Notes issued by the Issuer that fall within the definitions set out above are subject to a tax, referred to as *imposta sostitutiva*, levied at the rate of 12.5 per cent. (either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Notes) where an Italian resident holder of Notes is the beneficial owner of such Notes, and is:

- (a) an individual holding Notes otherwise than in connection with an entrepreneurial activity, unless he has entrusted the management of his financial assets, including the Notes, to an authorised intermediary and has opted for the so-called *risparmio gestito* regime (the “**Asset Management Option**”) pursuant to Article 7 of the Italian Legislative Decree No. 461 of 21 November 1997, as amended (“**Decree No. 461**”); or
- (b) a partnership (other than a *società in nome collettivo* or *società in accomandita semplice* or similar partnership) or a *de facto* partnership not carrying out commercial activities or professional associations; or
- (c) a private or public institution not carrying out commercial activities; or
- (d) an investor exempt from Italian corporate income taxation.

All the above categories are usually referred to as “net recipients”.

Where the resident holders of the Notes described in (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, *imposta sostitutiva* applies as an advance income tax. Interest deriving from the Notes is included in the taxable income and *imposta sostitutiva* suffered may be deducted from the tax due.

Pursuant to Decree No. 239, the 12.5 per cent. *imposta sostitutiva* is applied by banks, società di intermediazione mobiliare (“SIMS”), fiduciary companies, *società di gestione del risparmio*, stockbrokers and other qualified entities resident in Italy (the “Intermediaries”, and each an “Intermediary”), or by permanent establishments in Italy of foreign banks or intermediaries, who are required to act in connection with the collection of Interest or in the transfer or disposal of Notes, including in their capacity as transferees.

Payments of Interest in respect of Notes issued by the Issuer that fall within the definitions set out above in “Italian Tax Treatment of the Notes - General” are not subject to the 12.5 per cent. *imposta sostitutiva* if made to beneficial owners who are:

- (a) Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected;
- (b) Italian resident collective investment funds, SICAVs, Italian resident pension funds referred to in Legislative Decree No. 124 of 21 April 1993 (“Decree No. 124”), Italian resident real estate investment funds; and
- (c) Italian resident individuals holding Notes otherwise than in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised financial intermediary and have opted for the Asset Management Option.

Such categories are usually referred as “gross recipients”. To ensure payment of Interest in respect of the Notes without the application of the 12.5 per cent. *imposta sostitutiva*, gross recipients must:

- (a) be the beneficial owners of payments of Interest on the Notes; and
- (b) deposit the Notes together with the coupons relating to such Notes in due time directly or indirectly with an Italian authorised financial Intermediary (or permanent establishment in Italy of a foreign intermediary).

Where the Notes and the relevant coupons are not deposited with an authorised Intermediary (or permanent establishment in Italy of foreign intermediary), *imposta sostitutiva* is applied and withheld:

- (a) by any Italian bank or any Italian intermediary paying interest to the Noteholder; or
- (b) by the Issuer.

Gross recipients that are Italian resident corporations, or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected, are entitled to deduct *imposta sostitutiva* suffered from income taxes due.

Interest accrued on the Notes would be included in the taxable income subject to corporate income tax – IRES (and in certain circumstances, depending on the “status” of the Noteholder, also in the taxable income for purposes of regional tax on productive activities – IRAP) of beneficial owners who are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected, subject to tax in Italy in accordance with ordinary tax rules.

Italian resident individuals holding Notes otherwise than in connection with entrepreneurial activity who have opted for the Asset Management Option are subject to annual substitute tax at the rate of 12.5 per cent. (the “Asset Management Tax”) on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorised intermediary.

Special rules apply to Interest accrued and paid to Noteholders which are Italian resident collective investment funds and SICAVs, Italian resident pension funds referred to in Decree No. 124 and Italian resident real estate investment funds. In such respect please consider the following:

- (i) where the Noteholder is an Italian open-ended or a closed-ended investment fund or a SICAV, Interest relating to the Notes will not be subject to *imposta sostitutiva*, but must be included in the net results

of the relevant portfolio in the relevant tax period and will be subject to a 12.5 per cent. annual substitute tax;

- (ii) where the Noteholder is an Italian pension fund (subject to the regime provided for by articles 14, 14-ter and 14-quater, paragraph 1, of Legislative Decree No. 124 of 21 April 1993), Interest relating to the Notes will not be subject to *imposta sostitutiva*, but must be included in the results of the relevant portfolio in the tax period and will be subject to an 11 per cent. substitute tax.
- (iii) where the Noteholder is an Italian real estate investment fund (established pursuant to Article 37 of Legislative Decree No. 58/1998 and to Article 14-bis of Law No. 86/1994) Interest relating to the Notes will neither be subject to *imposta sostitutiva*, nor to any other income tax in the hands of the real estate fund (as such funds are exempt entities for Italian income tax purposes).

Non-Italian resident Noteholders

Pursuant to Decree No. 239, Interest in respect of Notes, falling within the definitions set out in “Italian Tax Treatment of the Notes - General” above and paid to non-Italian resident Noteholders with no permanent establishment in Italy to which the Notes are effectively connected, will not be subject to (*i.e.* it will be exempted from) *imposta sostitutiva* at the rate of 12.5 per cent., provided that:

- (a) such Noteholders are the beneficial owners of the Interest payments received under the Notes;
- (b) such Noteholders are resident, for tax purposes, in a country which recognises the Italian tax authorities’ right to an adequate exchange of information as listed in Ministerial Decree 4 September 1996, as amended and supplemented; and
- (c) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are met or complied with in due time.

Decree No. 239 also provides for additional exemptions from *imposta sostitutiva* for payments of Interest in respect of the Notes made to: (i) international entities and organisations set up in accordance with international agreements which have entered into force in Italy (so called “supranational entities and organisations”); (ii) central banks or entities also authorised to manage the official reserves of a state; or (iii) “professional investors” (e.g. investment funds, pensions funds, etc.) established in any of the countries listed in Ministerial Decree 4 September 1996, as amended and supplemented, even if they do not qualify as “persons” in their own country of establishment under the relevant double taxation treaties.

To ensure payment of Interest in respect of the Notes without the application of 12.5 per cent. *imposta sostitutiva*, non-Italian resident Noteholders indicated above must:

- (a) deposit the Notes in due time together with the coupons relating to such Notes directly or indirectly with an Intermediary, or a permanent establishment in Italy of a non-Italian bank or financial intermediary, or with a non-Italian resident operator participating in a centralised securities management system which is in contact via computer with the Ministry of Economy and Finance; and
- (b) file in due time with the relevant depository a declaration (*autocertificazione*) stating, *inter alia*, that the Noteholder is a resident, for tax purposes, in a country which recognises the Italian tax authorities’ right to an adequate exchange of information as listed in Ministerial Decree 4 September 1996, as amended and supplemented. Such declaration (*autocertificazione*) which must comply with the requirements set forth by a Decree of the Ministry for the Economy and Finance of 12 January 2001, as amended and supplemented, is valid until withdrawn or revoked and need not be submitted where a certificate, declaration or other similar document meant for equivalent uses was previously submitted to the same depository. The declaration (*autocertificazione*) is not required for non-Italian resident investors that are international entities and organisations established in accordance with international agreements ratified in Italy and central banks or entities which manage, *inter alia*, the official reserves of a foreign state.

Failure of a non-resident Noteholder to comply in due time with the procedures set forth in Decree No. 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interest payments made to a non-resident Noteholder.

Should the above exemptions not be applicable, non-Italian resident Noteholders may be entitled to claim, if certain relevant conditions are met, a reduction of the 12.5 per cent. *imposta sostitutiva* (generally to 10 per cent., or to the other applicable rates, if more favourable) under the double taxation treaty, if any, entered into by Italy and its country of residence, subject to timely filing of required documentation.

Early redemption

Notwithstanding the above provisions, Notes issued by the Issuer which fall within the definitions set out above in “Italian Tax Treatment of the Notes - General” and which are redeemed within eighteen months from the date of issue, are subject to an additional tax due by the Issuer at a rate of 20 per cent. in respect of Interest accrued on the Notes up to the date of the early redemption, pursuant to Article 26, paragraph 1, of Presidential Decree No. 600 of 29 September 1973, as amended. According to one interpretation of Italian tax law, the above 20 per cent. additional tax may also be due in the event of a repurchase by the Issuer of Notes which are subsequently cancelled prior to eighteen months from the date of issue.

Notes with an original maturity of less than 18 months

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

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

Non-Italian resident Noteholders, may be entitled to claim, if certain relevant conditions are met, a reduction of such 27 per cent. withholding tax (generally to 10 per cent., or to the other applicable rates, if more favourable) under the double taxation treaty, if any, entered into by Italy and its country of residence, subject to timely filing of required documentation.

Notes that qualify as atypical securities

Notes that do not qualify as *obbligazioni* (bonds) or as *titoli similari alle obbligazioni* (securities similar to bonds) pursuant to Article 44 of Decree No. 917 are characterised for Italian tax purposes as “atypical securities”. Pursuant to Article 44 of Decree No. 917, securities can be qualified, for income tax purposes, as *titoli similari alle obbligazioni* (securities similar to bonds) only to the extent that they incorporate an unconditional obligation to pay at maturity or upon redemption (to the Noteholder) an amount not less than therein indicated without providing any right to the Noteholders to participate in, or to control, the activity carried on by the Issuer.

Income of any kind, including interest and any sum paid to the Noteholders at maturity in excess over the issue price and relating to Notes characterised as “atypical securities” are subject to withholding tax levied at the rate of 27 per cent. (final or in advance, depending on the “status” and tax residence of the Noteholder) pursuant to Law Decree no. 512 of 30 September 1983.

Non-Italian resident Noteholders may be entitled to claim, if certain relevant conditions are met, a reduction of such 27 per cent. withholding tax (generally, to 10 per cent. or to the other applicable rates, if more favourable) under the double taxation treaty, if any, entered into by Italy and its country of residence, subject to timely filing of required documentation.

Taxation of capital gains

Italian resident Noteholders

Pursuant to Decree No. 461, a 12.5 per cent. substitute tax (the “**Capital Gains Tax**”) applies to capital gains realised by Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, on any sale or transfer for consideration of the Notes or redemption thereof.

Under the so called “tax declaration regime”, which is the standard regime for taxation of capital gains realised by Italian resident individuals not engaged in entrepreneurial activities, the 12.5 per cent Capital Gains Tax will be chargeable, on a cumulative basis, on all capital gains net of any relevant incurred capital losses realised by Italian resident individuals not engaged in entrepreneurial activities pursuant to all investment transactions carried out during any given tax year. The capital gains realised in a year net of any relevant incurred capital losses must be detailed in the relevant annual tax return to be filed with Italian tax authorities and Capital Gains Tax must be paid on such capital gains by Italian resident individuals together with any income tax due for the relevant tax year. Capital losses in excess of capital gains may be carried forward against capital gains of the same kind for up to the fourth subsequent tax year.

Alternatively, holders of the Notes who are Italian resident individuals not engaged in entrepreneurial activities to which the Notes are connected, may elect to pay Capital Gains Tax separately on capital gains realised on each sale or transfer or redemption of the Notes (*risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to:

- (a) the Notes being deposited with an Intermediary (or permanent establishment in Italy of a foreign intermediary); and
- (b) an express election for the so called *risparmio amministrato* regime being made in writing in due time by the relevant holder of the Notes.

The Intermediary is responsible for accounting for Capital Gains Tax in respect of capital gains realised on each sale or transfer or redemption of the Notes, as well as on capital gains realised at revocation of its mandate, net of any relevant incurred capital losses, and is required to pay the relevant amount to the Italian tax authorities on behalf of the holder of the Notes, deducting a corresponding amount from proceeds to be credited to the holder of the Notes; where a sale or transfer or redemption of the Notes results in a capital loss, the Intermediary is entitled to deduct such loss from gains of the same kind subsequently realised on assets held by the holder of the Notes within the same relationship of deposit in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the realised capital gain is not required to be included in the annual income tax return of the Noteholder and the Noteholder remains anonymous.

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

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

Any capital gains realised by Italian resident corporations or similar commercial entities or permanent establishments in Italy of non-Italian resident corporations to which the Notes are connected, will be included in their business income (and, in certain cases, may also be included in the taxable net value of

production for IRAP purposes), subject to corporate income tax in Italy according to the relevant ordinary tax rules.

Special rules apply to capital gains realised by Noteholders which are Italian resident collective investment funds and SICAVs, Italian resident pension funds referred to in Decree No. 124 and Italian resident real estate investment funds. In particular please consider the following:

- (i) where the Noteholder is an Italian open-ended or a closed-ended investment fund or a SICAV, capital gains realised on the Notes will not be subject to Capital Gains Tax, but must be included in the net results of the relevant portfolio in the relevant tax period and will be subject to a 12.5 per cent. annual substitute tax;
- (ii) where the Noteholder is an Italian pension fund (subject to the regime provided for by articles 14, 14-ter and 14-quater, paragraph 1, of Legislative Decree No. 124 of 21 April 1993), capital gains realised on the Notes will not be subject to Capital Gains Tax, but must be included in the results of the relevant portfolio in the tax period and will be subject to an 11 per cent. substitute tax;
- (iii) where the Noteholder is an Italian real estate investment fund (established pursuant to Article 37 of Legislative Decree No. 58/1998 and to Article 14-bis of Law No. 86/1994) capital gains realised on the Notes will neither be subject to Capital Gains Tax, nor to any other income tax in the hands of the real estate fund (as such funds are exempt entities for Italian income tax purposes).

Non-Italian resident Noteholders

The 12.5 per cent. Capital Gains Tax may in certain circumstances be due on any capital gains realised upon sale, transfer, or redemption of the Notes, or upon the occurrence of any another event assimilated to a disposal of the Notes for Italian tax purposes, by non-Italian resident individuals and corporations without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held or deemed to be in Italy. However, any such capital gains are not taxable (i.e. they are exempt from taxation) in Italy to the extent that the Notes are traded on a regulated market in Italy or abroad, irrespectively of the place in which they are held or deemed to be held.

Where the Notes are not traded on a regulated market in Italy or abroad:

- (a) pursuant to the provisions of Decree No. 461 and Law Decree No. 350 of 25 September 2001, non-Italian resident Noteholders that qualify for the exemption from imposta sostitutiva under the applicable provisions of Decree No. 239 – as described above under section “Taxation of Income – Non-Italian resident Noteholders” – are exempt from Capital Gains Tax in Italy, subject to timely filing of the required documentation; and
- (b) in any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty between Italy and their country of residence providing that capital gains realised upon sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to imposta sostitutiva in Italy, subject to timely filing of required documentation, on any capital gains realised upon sale for consideration or redemption of Notes.

Inheritance and gift tax

Under Law No. 383 of 18 October 2001 (“**Law No. 383**”), Italian inheritance and gift tax, previously generally payable on the transfer of securities as a result of death or donation, was abolished. However pursuant to Law No. 383, for beneficiaries other than spouses, direct descendants or ancestors and certain other relatives, if and to the extent that the value of the gift attributable to each such beneficiary exceeds €180,759.91, the gift of Notes may be subject to the ordinary transfer taxes provided for the transfer thereof for consideration.

Moreover, pursuant to a specific anti-abuse provision provided by Law 383 of 18 October 2001, the beneficiary of a gift of the Notes may also be subject to the Capital Gains Tax – to be applied, as if the gift

had never taken place, according to the provisions described above under section “Taxation of Capital Gains” – to the extent that such Notes are sold for consideration within five years following their receipt as a gift.

Transfer Tax

General

Pursuant to Legislative Decree No. 435 of 21 November 1997, which amended the regime laid down by Royal Decree No. 3278 of 30 December 1923, the transfer of Notes may be subject to Italian transfer tax (*tassa sui contratti di borsa*) at a rate of between a maximum of €0.0083 and a minimum of €0.00465 for every €51.65 or part of €51.65, of the price at which the Notes are transferred. In certain cases, however the amount of transfer tax cannot exceed €929.62 for each transaction.

Exemptions

In general, transfer tax is in any case not levied, *inter alia*, in the following cases:

- (a) contracts relating to listed securities entered into on regulated markets;
- (b) contracts relating to securities which are admitted to listing on regulated markets and finalised outside such markets and entered into:
 - (i) between banks or SIMs or other professional intermediaries authorised to perform investment services, pursuant to Legislative Decree No. 415 of 23 July 1996, as superseded by Legislative Decree No. 58 of 24 February 1998, or stockbrokers among themselves;
 - (ii) between authorised intermediaries as referred to in paragraph (i) above and non-Italian residents; or
 - (iii) between authorised intermediaries as referred to in paragraph (i) above, also non-Italian residents, and undertakings for collective investment of saving income;
- (c) contracts relating to public sale offers for the admission to listing on regulated markets or relating to financial instruments already admitted to listing on said markets;
- (d) contracts for a consideration of less than €206.58;
- (e) contracts regarding securities not listed on a regulated market entered into between authorised intermediaries as referred to in (b) (i) above, on the one hand, and non-Italian residents, on the other hand.

Luxembourg Taxation

The information contained within this section is limited to withholding tax issues and prospective investors should not apply any information set out below to other areas under Luxembourg, including (but not limited to) the legality of transactions involving the Notes.

All payments of interest and principal by the Issuer under the Notes can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with applicable Luxembourg laws, subject however to:

- (i) application of the Luxembourg Law of 21 June 2005 implementing Council Directive 2003/48/EC on taxation of savings income (the “**EU Savings Directive**”) (see “- EU Savings Directive” below), which may be applicable in the event of the Issuer appointing a paying agent in Luxembourg within the meaning of the above-mentioned Directive).
- (ii) the application as regards Luxembourg resident individuals of the Luxembourg law of 23 December 2005 which has introduced a 10 per cent. final withholding tax on savings income (i.e. with certain exemptions, savings income within the meaning of the Luxembourg law of 21 June 2005

implementing the EU Savings Directive). This law should apply to savings income accrued as from 1 July 2005 and paid as from 1 January 2006.

Responsibility for the withholding of tax in application of the above-mentioned laws is assumed by the Luxembourg paying agent within the meaning of these laws and not by the Issuer.

EU Savings Directive

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

Noteholders should consult their tax advisers and/or the custodians with which they hold the Notes in order to carefully assess the regime to which their Notes are subject for the purposes of the Directive, depending *inter alia* on their status, the country in which they are resident for tax purposes, and the country where the relevant paying agents are established.

Implementation in Italy

The Italian Government has implemented the EU Savings Directive through Legislative Decree No. 84 on 18 April 2005 (“**Decree No. 84**”). Decree No. 84 applies to payments of interest made by paying agents established in Italy to beneficial owners who are individuals resident in a different EU Member State as well as in the dependent or associated territories that have adopted similar legislation. According to Article 1(1) of Decree No. 84, for these purposes the definition of “paying agents” includes, *inter alia*, banks, *società di intermediazione mobiliare*, *società di gestione del risparmio*, fiduciary companies, financial intermediaries and any economic operator that may be involved commercially or professionally in the payment of interest.

More specifically, according to Article 5 of Decree No. 84, Italian paying agents shall provide the Italian tax authorities with the following information: identity and residence of the beneficial owner; name and address of the paying agent; account number of the beneficial owner; or, otherwise, information of the debt claim giving rise to the interest payment and amount of interest paid. For contractual relations entered into, or transactions carried out in the absence of contractual relations, on or after 1 January 2004, residence of the beneficial owner is ascertained on the basis of the address indicated in the passport (if any), in the official identity card or, if necessary, on the basis of any other evidence. Any beneficial owner holding an EU passport or identity card but resident for income tax purposes in a third country shall file a tax certificate issued by the state of residence. Any individual receiving an interest payment is deemed to be the beneficial owner, unless he provides evidence that such payment was not received or secured for his own benefit.

Companies, similar entities subject to taxation on business profits, UCITs passported under Directive No. 85/611/EEC and non-passported UCITs that have elected to be treated as if passported, are excluded from the application of Decree No. 84.

Mistakes, omissions and any other contravention may be fined under Decree No. 84 with sanctions from €2,065 to €20,658.

Both payments of interest on the Notes or the realisation of the capitalised interest through a sale of the Notes would constitute “payments of interest” under Article 6 of Directive and, in relation to Italy, Article 2 of Decree No. 84. Accordingly, such payment of interest in relation to the Notes would fall within the scope of the rules described in this section.

Implementation in Luxembourg

The EU Savings Directive was implemented in Luxembourg by the Law of 21 June 2005.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of ABN AMRO Bank N.V., Banca Caboto S.p.A., Banca IMI S.p.A., Bayerische Hypo- und Vereinsbank AG, BNP Paribas, CALYON, Capitalia S.p.A., Credit Suisse Securities (Europe) Limited, Dexia Banque Internationale à Luxembourg, société anonyme, acting under the name of Dexia Capital Markets, Natexis Banques Populaires, The Royal Bank of Scotland plc and UniCredit Banca Mobiliare S.p.A. The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in a Dealer Agreement dated 4 July 2006 (the “**Dealer Agreement**”) and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America

Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.

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

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

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

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

United Kingdom

Each Dealer has represented and agreed that:

- (a) **No deposit-taking:** in relation to any Notes having a maturity of less than one year:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
 - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:

- (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
- (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the “**FSMA**”) by the Issuer;

- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan and, accordingly, each Dealer has undertaken that it will not offer or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, “**Japanese Person**” shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes in Italy in a solicitation to the public and that sales of the Notes in Italy will be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

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

- (i) to “**professional investors**”, as defined in Article 31, paragraph 2 of Regulation No. 11522 of 1 July 1998, as amended (“**Regulation No. 11522**”) of *Commissione Nazionale delle Società e la Borsa* (“**CONSOB**”), pursuant to Article 30, paragraph 2 and Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (“**Decree No. 58**”); or
- (ii) in any other circumstances where an express exemption from compliance with the solicitation restrictions provided under Decree No. 58 or CONSOB Regulation No. 11971 of 14 May 1999, as amended, applies.

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

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended (“**Decree No. 385**”), Decree No. 58, Regulation No. 11522 and any other applicable laws and regulations;
- (b) in compliance with Article 129 of Decree No. 385 and the implementing instructions of the Bank of Italy, pursuant to which the issue, trading or placement of securities in Italy is subject to prior

notification to the Bank of Italy, unless an exemption applies, depending, *inter alia*, on the aggregate amount and the characteristics of the Notes issued or offered in Italy;

- (c) in compliance with Article 115 of Decree No. 385, as implemented by (i) Bank of Italy Regulations of 30 July 1999 and 25 July 2003 and (ii) resolution of the *Comitato Interministeriale per il Credito e il Risparmio* of 4 March 2003; and
- (d) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

Investors should also note that Article 100-*bis* of Legislative Decree No. 58 of 24 February 1998 (as amended) affects the transferability of Notes in Italy to the extent that an offer of Notes (or any part of such offer) is made solely to professional investors and such Notes are then transferred in Italy during the period of 12 months from the date of issue of the Notes. Where this occurs, professional investors who sell Notes to non-professional investors will be liable to such non-professional investors for any default by the Issuer in its payment obligations under the Notes if the Issuer is or becomes insolvent, even where the sale by the professional investor took place at the express request of the purchaser. The above provisions will not apply where the professional investor, prior to any such transfer of Notes, delivered to the purchaser an information document containing all such information as is required by CONSOB. As at the date of this Base Prospectus, CONSOB has not implemented any regulations specifying the content of such information document.

France

Each of the Dealers and the Issuer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes, and that such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*) other than individuals, all as defined in, and in accordance with, articles L.411-1, L.411-2, D.411-1, D.411-2 and D.411-3 of the French *Code monétaire et financier*.

General

Other than with respect to the admission to listing, trading and/or quotation by such one or more listing authorities, stock exchanges and/or quotation systems as may be specified in the relevant Final Terms, no action has been or will be taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands the Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

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

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

GENERAL INFORMATION

Listing

This Base Prospectus has been approved as a base prospectus issued in compliance with the Prospectus Directive by the CSSF in its capacity as competent authority in Luxembourg for the purposes of the Prospectus Directive. Application has been made for Notes issued under the Programme to be listed and admitted to trading on the regulated market of the Luxembourg Stock Exchange.

However, Notes may be issued pursuant to the Programme which will not be listed or admitted to trading on the Luxembourg Stock Exchange or any other stock exchange or which will be listed on or admitted to trading on such stock exchange as the Issuer and the relevant Dealer(s) may agree.

The CSSF may, at the request of the Issuer, send to the competent authority of another Member State of the European Economic Area: (i) a copy of this Base Prospectus; (ii) a certificate of approval attesting that this Base Prospectus has been drawn up in accordance with the Prospectus Directive; and (iii) if so required by the competent authority of such Member State, a translation into the official language(s) of such Member State of a summary of this Base Prospectus.

Authorisations

The establishment of the Programme was authorised by a resolution of the Board of Directors of the Issuer passed on 21 January 2001 and 28 June 2001. The update of the Programme was authorised by a resolution of the Board of Directors of the Issuer passed on 3 April 2006. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

Conditions for determining price

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

Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series will be specified in the Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

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

Use of proceeds

The net proceeds of the issue of each Tranche of Notes will be applied by the Issuer for general funding purposes. If, in respect of any particular issue, a particular use of proceeds is identified, this will be specified in the applicable Final Terms.

Litigation

Save as disclosed in this Base Prospectus, the Issuer is not and none of its consolidated subsidiaries is or has been involved in any governmental, legal, arbitration or administrative proceedings in the 12 months preceding the date of this document relating to claims or amounts which may have, or have had in the recent past, a significant effect on the Issuer's financial position or profitability and, so far as the Issuer is aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

No significant change

Save as otherwise disclosed in this Base Prospectus and since 31 December 2005 (being the last day of the financial period in respect of which the most recent published financial statements of the Issuer have been prepared), there has been no significant change in the financial condition of the Issuer or its subsidiaries.

Trend information

Save as otherwise disclosed in this Base Prospectus and since 31 December 2005 (being the last day of the financial period in respect of which the most recent published financial statements of the Issuer have been prepared) there has been no material adverse change, nor any development reasonably likely to involve a material adverse change, in the prospects or general affairs of the Issuer or its subsidiaries that is material in the context of the Programme or the issue of the Notes.

Save as disclosed in this Base Prospectus, the Issuer is not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on its prospects for the current financial year.

Material contracts

Save as disclosed in this Base Prospectus, neither the Issuer nor any of its subsidiaries has entered into any contracts in the last two years outside the ordinary course of business that have been or may reasonably be expected to be material to their ability to meet their obligations to Noteholders.

Post-issuance information

Unless otherwise required by any applicable laws or regulations, the Issuer does not intend to provide any post-issuance information in relation to any assets underlying issues of Notes constituting derivative securities.

Minimum denomination

Notes issued under the Programme will not have a denomination of less than €50,000 or its equivalent in any other currency.

Documents available for inspection and/or collection

For so long as the Programme remains in effect or any Notes are outstanding, copies of the following documents may be inspected (and, in the case of (e) and (f) below, are available for collection) during normal business hours at the specified office of the Fiscal Agent, namely:

- (a) the Agency Agreement;
- (b) the Deed of Covenant;
- (c) the Dealer Agreement;
- (d) the Programme Manual (being a manual signed for the purposes of identification by the Issuer and the Fiscal Agent, containing suggested forms and operating procedures for the Programme, including the forms of the Notes in global and definitive form);
- (e) any Final Terms relating to Notes which are listed on any stock exchange (save that Final Terms relating to Notes which are neither admitted to trading on a regulated market in the European Economic Area or offered in the European Economic Area in circumstances where a base prospectus is required to be published under the Prospectus Directive will only be available for inspection by the relevant Noteholders and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity);

- (f) this Base Prospectus and any amendment or supplement to this Base Prospectus and any other document incorporated by reference herein or therein;
- (g) the By-laws (*statuto*) of the Issuer;
- (h) the most recent publicly available audited annual non-consolidated financial statements of the Issuer, beginning with such financial statements as at and for the years ended 31 December 2005 and 2004;
- (i) any audited annual consolidated financial statements of the Issuer published after the date of this Base Prospectus; and
- (j) any semi-annual or quarterly financial statements of the Issuer published after the date of this Base Prospectus (whether audited or unaudited).

The Issuer does not currently publish consolidated financial statements.

REGISTERED OFFICE OF THE ISSUER

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*To the Issuer
as to Italian law*

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