

BASE PROSPECTUS AND OFFERING CIRCULAR

SANPAOLO IMI GROUP

SANPAOLO IMI S.p.A.

(incorporated with limited liability in the Republic of Italy)

as an Issuer and as a Guarantor
and

SANPAOLO IMI BANK (INTERNATIONAL) S.A.

(registered and domiciled with limited liability in the Madeira International Business Centre, Portugal)

and

SANPAOLO IMI BANK IRELAND PLC

(incorporated and registered in Ireland with Registration No: 125216)

as Issuers

Euro 20,000,000,000

Euro Medium Term Note Programme

On 27 April 1999, SANPAOLO IMI S.p.A. ("*Sanpaolo IMI*") (then called Istituto Bancario San Paolo di Torino – Istituto Mobiliare Italiano S.p.A.) and SANPAOLO IMI BANK (INTERNATIONAL) S.A. ("*Sanpaolo IMI Bank*") (then called IMI Bank (International) S.A.) entered into a Euro 5,000,000,000 Euro Medium Term Note Programme (the "*Programme*") and issued an offering circular on that date describing the Programme. The Base Prospectus (as defined on page 5), subject to it being approved by the Irish Financial Services Regulatory Authority ("*IFSRA*") constitutes a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the "*Prospectus Directive*") and the Irish Prospectus (Directive 2003/71/EC) Regulations 2005 and supersedes all previous offering circulars and supplemental offering circulars. Any Notes (as defined below) issued on or after the date of the Base Prospectus and the Offering Circular (as defined on page 5) are issued subject to the provisions described herein. This does not affect any Notes already in issue.

On 25 November 2005 SANPAOLO IMI BANK IRELAND PLC ("*Sanpaolo IMI Bank Ireland*") was added to the Programme as a New Issuer. Under the Programme each of Sanpaolo IMI, Sanpaolo IMI Bank, Sanpaolo IMI Bank Ireland and any of Sanpaolo IMI's other subsidiaries appointed as an issuer under the Programme (each a "*New Issuer*" and, together with Sanpaolo IMI, Sanpaolo IMI Bank and Sanpaolo IMI Bank Ireland, the "*Issuers*" and each an "*Issuer*") may from time to time issue notes (or any other equivalent debt securities) (the "*Notes*") denominated in any currency agreed between the relevant Issuer (as defined below) and the relevant Dealer (as defined below).

The payment of all amounts owing in respect of Notes issued by Sanpaolo IMI Bank, Sanpaolo IMI Bank Ireland or any New Issuer will be unconditionally and irrevocably guaranteed by Sanpaolo IMI (in such capacity, the "*Guarantor*").

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

Application has been made to the IFSRA, as competent authority under the Prospectus Directive for the Base Prospectus to be approved. Such approval relates only to the Notes which are to be admitted to trading on the Regulated Market (as defined below) or other regulated market for the purposes of Directive 93/22/EEC or which are to be offered to the public in any member state of the European Economic Area ("*EEA*"). Application has been made to the Irish Stock Exchange for Notes issued under the Programme during the 12 months from the date of the Base Prospectus to be admitted to the Official List and to be listed on the Regulated Market of the Irish Stock Exchange. References in the Base Prospectus and the Offering Circular to "*Irish Stock Exchange*" (and all related references) shall mean the Regulated Market. In addition, references in the Base Prospectus and the Offering Circular to the Notes being "*listed*" (and all related references) shall mean that such Notes have been admitted to trading on and listed on the Irish Stock Exchange or, as the case may be, an FIMD Regulated Market (as defined below). The Regulated Market of the Irish Stock Exchange is a regulated market for the purposes of Directive 93/22/EEC (the "*Financial Instrument Markets Directive*") and each such regulated market being an "*FIMD Regulated Market*". This document may be used to list Notes on the regulated market of the Irish Stock Exchange (the "*Regulated Market*") pursuant to the Programme. The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the relevant Issuer, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) and the relevant Dealer. Each Issuer may also issue unlisted Notes. The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed Euro 20,000,000,000 (or its equivalent in other currencies, subject to increase as provided herein). The Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer(s) and as specified in the applicable Final Terms, save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency and save that the minimum denomination of each Note admitted to trading on a regulated market situated or operating within the EEA and/or offered to the public in an EEA State in circumstances which require the publication of a prospectus under the Prospectus Directive will be €50,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a final terms (the "*Final Terms*") which, with respect to Notes to be listed on the Irish Stock Exchange, will be delivered to the IFSRA on or before the date of issue of the Notes of such Tranche. Copies of the Final Terms relating to Notes which are listed on the Irish Stock Exchange or offered in circumstances which require a prospectus to be published will be available free of charge, at the registered office of each Issuer and the Guarantor (where the relevant Issuer is other than Sanpaolo IMI).

Unless otherwise specified in the applicable Final Terms, unsubordinated Notes to be issued under the Programme will be rated Aa3 by Moody's Investors Service Limited ("*Moody's*"), A+ by Standard & Poor's Ratings Services, a division of the McGraw Hill Companies Inc. ("*Standard & Poor's*") and AA-by Fitch Ratings ("*Fitch*"), Lower Tier II Subordinated Notes (as defined under "*Terms and Conditions of the Notes*") to be issued under the Programme will be rated A1 by Moody's, A by Standard & Poor's and A+ by Fitch. Upper Tier II Subordinated Notes (as so defined) to be issued under the Programme will be rated A1 by Moody's, A- by Standard & Poor's and A+ by Fitch, and Tier III Subordinated Notes (as so defined) to be issued under the Programme will be rated A2 by Moody's, on an issue by issue basis by Standard & Poor's and A by Fitch. Notes issued pursuant to the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The relevant Issuer, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) and The Law Debenture Trust Corporation p.l.c. (the "*Trustee*") may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event (in the case of Notes intended to be listed on the Irish Stock Exchange) a supplemental prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes. Upon the appointment of any New Issuer, a supplemental prospectus (or a new base prospectus to replace the Base Prospectus) will be prepared, describing such New Issuer.

The Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer(s) and as specified in the applicable Final Terms, save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency and save that the minimum denomination of each Note admitted to trading on a regulated market situated or operating within the EEA and/or offered to the public in an EEA State in circumstances which require the publication of a prospectus under the Prospectus Directive will be €50,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in the Base Prospectus and the Offering Circular. The Base Prospectus and the Offering Circular does not describe all of the risks of an investment in the Notes.

Arranger
Merrill Lynch International
Dealers

ABN AMRO
Barclays Capital
Credit Suisse First Boston
Dresdner Kleinwort Wasserstein
HSBC
Lehman Brothers
Morgan Stanley
The Royal Bank of Scotland

Banca IMI
IXIS Corporate and Investment Bank
Deutsche Bank
Goldman Sachs International
JPMorgan
Merrill Lynch International
Sanpaolo IMI S.p.A.
UBS Investment Bank

The date of the Base Prospectus and the Offering Circular is 25 November 2005.

Each of Sanpaolo IMI, Sanpaolo IMI Bank and Sanpaolo IMI Bank Ireland, having made all reasonable enquiries, confirms in respect to itself that the Base Prospectus and the Offering Circular contains or incorporates all information which is material in the context of the issuance and offering of Notes, that the information contained or incorporated in the Base Prospectus and the Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in the Base Prospectus and the Offering Circular are honestly held and that there are no other facts the omission of which would make the Base Prospectus and the Offering Circular or any of such information or the expression of any such opinions or intentions misleading. Each of Sanpaolo IMI, Sanpaolo IMI Bank and Sanpaolo IMI Bank Ireland (together, the “*Responsible Persons*”) accepts responsibility accordingly.

The Base Prospectus and the Offering Circular are to be read and construed in conjunction with all documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*”), and in relation to any Tranche (as defined under “*Terms and Conditions of the Notes*”) of Notes, should be read and construed together with the relevant Final Terms. The Base Prospectus and the Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of the Base Prospectus and the Offering Circular.

The Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and the Irish Prospectus (Directive 2003/71/EC) Regulations 2005 and for the purpose of giving information with regard to Sanpaolo IMI, Sanpaolo IMI Bank, Sanpaolo IMI Bank Ireland and the Notes which, according to the particular nature of the Issuers and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of Sanpaolo IMI, Sanpaolo IMI Bank and Sanpaolo IMI Bank Ireland.

Neither the Dealers nor the Trustee, or any of their respective affiliates, have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee, or any of their respective affiliates, as to the accuracy or completeness of the information contained or incorporated in the Base Prospectus and the Offering Circular or any other information provided by any Issuer or the Guarantor, where the relevant Issuer is other than Sanpaolo IMI, in connection with the Programme. None of the Dealers or the Trustee accepts any liability in relation to the information contained or incorporated by reference in the Base Prospectus and the Offering Circular or any other information provided by any Issuer or the Guarantor, where the relevant Issuer is other than Sanpaolo IMI, in connection with the Programme.

No person is or has been authorised by any Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) to give any information or to make any representation not contained in or not consistent with the Base Prospectus and the Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by any Issuer, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI), any of the Dealers or the Trustee.

Neither the Base Prospectus and the Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by any Issuer, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI), any of the Dealers or the Trustee that any recipient of the Base Prospectus and the Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the relevant Issuer and, where the relevant Issuer is other than Sanpaolo IMI, the Guarantor. Neither the Base Prospectus, the Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of Sanpaolo IMI, Sanpaolo IMI Bank, Sanpaolo IMI Bank Ireland, any New Issuer, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of the Base Prospectus, the Offering Circular or any Final Terms nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning Sanpaolo IMI, Sanpaolo IMI Bank or Sanpaolo IMI Bank Ireland is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same or that there has been no material adverse change in the prospects of either Issuer or the Guarantor, where the relevant Issuer is other than Sanpaolo IMI, since the date thereof or, if later, the date upon which the Base Prospectus and the Offering Circular has been most recently amended or supplemented. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of Sanpaolo IMI, Sanpaolo IMI Bank, Sanpaolo IMI Bank Ireland or any New Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, inter alia, the most recently published audited annual financial statements and, if published later, the most recently published interim financial statements (if any) of the relevant Issuer and, where the Issuer is other than Sanpaolo IMI, the Guarantor when deciding whether or not to purchase any Notes.

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

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

All references in this document to “*U.S. dollars*”, “*U.S.\$*” and “*\$*” refer to United States Dollars, to “*Euro*” and “*€*” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended, to “*Swiss francs*” refer to the currency of Switzerland and to “*Sterling*” and “*£*” refer to the lawful currency of the United Kingdom.

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In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as stabilising manager(s) (or persons acting on behalf of any stabilising manager(s)) in the applicable Final Terms may over-allot Notes (provided that, in the case of any Tranche of Notes to be admitted to trading on a regulated market in the EEA, 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 persons acting on behalf of a stabilising manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes.

BASE PROSPECTUS / OFFERING CIRCULAR AND DOCUMENTS INCORPORATED BY REFERENCE

The Base Prospectus has been prepared for the purpose of seeking admission of the Notes to trading on the Regulated Market. The Offering Circular has been prepared for the purpose of the offering of Notes from time to time in accordance with applicable laws and regulations and as further described in “*Subscription and Sale*” below. The Offering Circular may be circulated in accordance with such applicable laws and regulations without the Base Prospectus.

The distribution of the Base Prospectus, the Offering Circular and any Final Terms and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession the Base Prospectus, the Offering Circular, any Final Terms or any Notes come are required by the Issuer, the Dealers and the Arranger to inform themselves about and to observe any such restriction. For a description of these and certain further restrictions on offers, sales and transfers of Notes and distribution of the Base Prospectus or the Offering Circular or any Final Terms, see “*Subscription and Sale*” below.

Base Prospectus

This document together with the documents appended to it (the “*Base Prospectus*”) constitutes the base prospectus prepared pursuant to Article 5.4 of the Prospectus Directive for the purposes of seeking admission of the Notes to trading on the Regulated Market. The documents appended to the Base Prospectus are each of those documents referred to in paragraphs (a) to (f) below.

Offering Circular

This document, excluding any appendices attached hereto but including those documents described below as being deemed incorporated in, and forming part of, this Offering Circular (which includes information which may be appended hereto) now and in the future, together constitute the offering circular (the “*Offering Circular*”) in relation to the Programme. The Offering Circular may be considered an advertisement for the purposes of Article 15 of the Prospectus Directive in certain jurisdictions in the European Economic Area. The Offering Circular contains, or incorporates by reference, all information set forth in or appended to the Base Prospectus. The Base Prospectus contains all of the information that is contained in the Offering Circular as required by the Prospectus Directive.

The documents referred to in paragraphs (a) to (g) below shall be deemed to be incorporated in, and to form part of, the Offering Circular, the documents referred to in paragraphs (a) to (f) below are appended to the Base Prospectus (as indicated below) and the document referred to in paragraph (g) below shall be deemed to be incorporated in, and to form part of, the Base Prospectus:

- (a) the audit report and audited consolidated and non-consolidated annual financial statements (including a balance sheet, income statement, accounting policies and explanatory notes which appear on pages 17 to 462) of Sanpaolo IMI for the financial year ended 31 December 2004 (Appendix 1);
- (b) the audit report and audited non-consolidated annual financial statements (including a balance sheet, income statement, accounting policies and explanatory notes which appear on pages 12 to 30) of Sanpaolo IMI Bank for the financial year ended 31 December 2004 (Appendix 2);
- (c) the audit report and audited non-consolidated annual financial statements (including a balance sheet, income statement, accounting policies and explanatory notes which appear on pages 14 to 33) of Sanpaolo IMI Bank Ireland for the financial year ended 31 December 2004 (Appendix 3);

- (d) the audit report and audited consolidated and non-consolidated annual financial statements (including a balance sheet, income statement, accounting policies and explanatory notes which appear on pages 19 to 432) of Sanpaolo IMI for the financial year ended 31 December 2003 (Appendix 4);
- (e) the audit report and audited non-consolidated annual financial statements (including a balance sheet, income statement, accounting policies and explanatory notes which appear on pages 10 to 28) of Sanpaolo IMI Bank for the financial year ended 31 December 2003 (Appendix 5);
- (f) the audit report and audited non-consolidated annual financial statements (including a balance sheet, income statement, accounting policies and explanatory notes which appear on pages 14 to 33) of Sanpaolo IMI Bank Ireland for the financial year ended 31 December 2003 (Appendix 6); and
- (g) constitutional documents of each of Sanpaolo IMI, Sanpaolo IMI Bank and Sanpaolo IMI Bank Ireland.

Following the publication of the Base Prospectus a supplement may be prepared by a relevant Issuer and approved by the IFSRA in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in the Base Prospectus and the Offering Circular or in a document which is incorporated by reference in the Base Prospectus and the Offering Circular. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of the Base Prospectus and the Offering Circular.

The financial statements incorporated by reference were prepared in accordance with applicable accounting standards as described in “*General Information*”.

Copies of documents incorporated by reference in the Base Prospectus and the Offering Circular can be obtained, in electronic form, without charge, to each person to whom a copy of the Base Prospectus or the Offering Circular has been delivered, upon the request of such person, at the registered office of each Issuer and the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) and from the specified offices in Ireland of Deutsche Bank, International Corporate Services (Ireland) Limited (the “*Irish Paying Agent*”). Each Issuer and the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplemental to the Base Prospectus or publish a new base prospectus for use in connection with any subsequent issue of Notes.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, each Issuer may from time to time issue Notes denominated in any currency, subject as set out herein. A general description of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the relevant Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Final Terms attached to, or endorsed on, such Notes, as more fully described under “*Form of the Notes*”.

The Base Prospectus and the Offering Circular and any supplement will only be valid for listing Notes on the Irish Stock Exchange during the period of 12 months from the date of the Base Prospectus and the Offering Circular in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed Euro 20,000,000,000 or its equivalent in other currencies. For the purpose of calculating the Euro equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

- (a) the Euro equivalent of Notes denominated in another Specified Currency (as specified in the applicable Final Terms) shall be determined, at the discretion of the relevant Issuer, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the Euro against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the relevant Issuer on the relevant day of calculation;
- (b) the Euro equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Final Terms) shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and
- (c) the Euro equivalent of Zero Coupon Notes (as specified in the applicable Final Terms) and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the relevant Issuer for the relevant issue.

This general description must be read as an introduction to the Base Prospectus and the Offering Circular and constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive. It does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of the Base Prospectus and the Offering Circular and, in relation to any particular Tranche of Notes, the applicable Final Terms.

Words and expressions defined in “*Form of the Notes*”, “*Terms and Conditions of the Notes*” and “*Subscription and Sale*” shall have the same meanings in this general description.

Issuers:	Sanpaolo IMI, Sanpaolo IMI Bank, Sanpaolo IMI Bank Ireland and any New Issuer.
New Issuer:	Any subsidiary of Sanpaolo IMI appointed as an Issuer of Notes under the Programme pursuant to a letter of accession in the form provided in the Programme Agreement and a supplemental trust deed/deed of accession.
Guarantor (in respect of Notes issued by an Issuer other than Sanpaolo IMI):	Sanpaolo IMI.

Description:	Euro Medium Term Note Programme.
Arranger:	Merrill Lynch International.
Dealers:	<p> ABN AMRO Bank N.V. Banca IMI S.p.A. Barclays Bank PLC IXIS Corporate and Investment Bank Credit Suisse First Boston (Europe) Limited Deutsche Bank AG, London Branch Dresdner Bank Aktiengesellschaft Goldman Sachs International HSBC Bank plc J.P. Morgan Securities Ltd. Lehman Brothers International (Europe) Merrill Lynch International Morgan Stanley & Co. International Limited Sanpaolo IMI S.p.A. The Royal Bank of Scotland plc UBS Limited </p> <p>and any other Dealers appointed in accordance with the Programme Agreement.</p>
Certain Restrictions:	<p>Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “<i>Subscription and Sale</i>”) including the following restrictions applicable at the date of the Base Prospectus and the Offering Circular.</p> <p><i>Notes with a maturity of less than one year</i></p> <p>Notes issued by an Issuer other than Sanpaolo IMI or Sanpaolo IMI Bank Ireland having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 (the “<i>FSMA</i>”) unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent (see “<i>Subscription and Sale</i>”).</p>
Trustee:	The Law Debenture Trust Corporation p.l.c.
Issuing and Principal Paying Agent:	Deutsche Bank AG, London Branch.
Programme Size:	Up to Euro 20,000,000,000 (or its equivalent in other currencies calculated as described under “ <i>General Description of the Programme</i> ”) outstanding at any time. Sanpaolo IMI, Sanpaolo IMI Bank, Sanpaolo IMI Bank Ireland and (where applicable) any New Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.

Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between the relevant Issuer and the relevant Dealer, including, without limitation, Australian dollars, Canadian dollars, Danish kroner, Euro, Hong Kong dollars, Japanese yen, New Zealand dollars, Norwegian krone, South African rand, Sterling, Swedish kronor, Swiss francs and U.S. dollars (as specified in the applicable Final Terms).
Redenomination:	If so specified in the applicable Final Terms, the relevant Issuer may redenominate Notes issued in the currency of a country that subsequently participates in the third stage of European economic and monetary union, or otherwise participates in European economic and monetary union in a manner with similar effect to such third stage, into Euro. The provisions relating to any such redenomination will be contained in the applicable Final Terms.
Maturities:	<p>Such maturities as may be agreed between the relevant Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency.</p> <p>Unless otherwise permitted by current laws, regulations, directives and/or the Bank of Italy's requirements applicable to the issue of Subordinated Notes by Sanpaolo IMI, (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 ten years and (iii) Tier III Subordinated Notes must have a minimum maturity of two years.</p>
Issue Price:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par, as specified in the relevant Final Terms.
Form of Notes:	The Notes will be issued in bearer form as described in " <i>Form of the Notes</i> ".
Fixed Rate Notes:	Interest on Fixed Rate Notes will be payable at such rate(s) and on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer and on redemption. Interest on Fixed Rate Notes involving broken interest amounts will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer.
Floating Rate Notes:	<p>Floating Rate Notes will bear interest at a rate determined:</p> <p>(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at</p>

the Issue Date of the first Tranche of the Notes of the relevant Series); or

- (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (iii) on such other basis as may be agreed between the relevant Issuer and the relevant Dealer.

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

Index Linked Notes:

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

Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:

Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.

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

Dual Currency Notes:

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

Zero Coupon Notes:

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

Redemption:

The applicable Final Terms will specify either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer and/or the Noteholders upon giving notice to the Noteholders or the relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the relevant Issuer and the relevant Dealer.

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

The redemption of Upper Tier II Subordinated Notes shall always be subject to the prior approval of the Bank of Italy, such approval being dependent on Sanpaolo IMI maintaining its minimum capital

requirements (*patrimonio di vigilanza*) as prescribed in Title IV, Chapter 1, Section II 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 Maturity Date, Sanpaolo IMI 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. Sanpaolo IMI will use its best endeavours to maintain such required minimum capital and to obtain such approval. Amounts that would otherwise be payable on the Maturity Date will continue to bear interest as provided in the Trust Deed.

Notes issued by an Issuer other than Sanpaolo IMI having a maturity of less than one year may be subject to restrictions on their denomination and distribution, (see "*Certain Restrictions – Notes with a maturity of less than one year*" above).

Denomination of Notes:

The Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer(s) and as specified in the applicable Final Terms, save that: (a) the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency and save that the minimum denomination of each Note admitted to trading on a regulated market situated or operating within the EEA and/or offered to the public in an EEA State in circumstances which require the publication of a prospectus under the Prospectus Directive will be €50,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) (in particular, see "*Certain Restrictions – Notes with a maturity of less than one year*" above); and (b) in the case of unlisted Notes issued by Sanpaolo IMI Bank Ireland, the minimum denomination shall be €500,000 (or if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Taxation:

All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction, subject as provided in Condition 7. In the event that any such deduction is required to be made, the relevant Issuer or, as the case may be, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) will, save in certain limited circumstances provided in Condition 7, be required to pay additional amounts to cover the amounts so deducted.

Negative Pledge:

The terms of the Notes will not contain a negative pledge provision.

Cross Default:

The terms of the Senior Notes will contain a cross default provision as further described in Condition 9.

Status of the Senior Notes:

The Senior Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the relevant Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other

than subordinated obligations, if any) of the relevant Issuer, from time to time outstanding.

Status of the Subordinated Notes:

The Lower Tier II Subordinated Notes, the Upper Tier II Subordinated Notes and the Tier III Subordinated Notes (the “*Subordinated Notes*”) will constitute direct, unsecured and subordinated obligations of Sanpaolo IMI and will rank *pari passu* and without any preference among themselves.

In the event of the winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*, as described in Articles 80 to 94 of the Italian Banking Act) of Sanpaolo IMI, the payment obligations of Sanpaolo IMI under each series of Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes or Tier III Subordinated Notes and the relative Receipts and Coupons will rank in right of payment after unsubordinated unsecured creditors (including depositors) of Sanpaolo IMI but at least *pari passu* with all other subordinated obligations of Sanpaolo IMI which do not rank or are not expressed by their terms to rank junior or senior to each series of Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes or Tier III Subordinated Notes, as the case may be, and in priority to the claims of shareholders of Sanpaolo IMI, as described in Condition 3.

Loss Absorption on Upper Tier II Subordinated Notes:

To the extent that Sanpaolo IMI at any time suffers losses which, in accordance with Articles 2446 and 2447 of the Italian Civil Code, would require Sanpaolo IMI to reduce its capital to below the Minimum Capital, the obligations of Sanpaolo IMI in respect of interest and principal under Upper Tier II Subordinated Notes will be reduced to the extent necessary to enable Sanpaolo IMI, in accordance with the requirements of Italian law, to maintain at least the Minimum Capital. The obligations of Sanpaolo IMI in respect of interest and principal due under Upper Tier II Subordinated Notes which are so reduced will be subject to reinstatement in certain circumstances.

Deferral of Interest on Upper Tier II Subordinated Notes:

Sanpaolo IMI is not required to pay interest on Upper Tier II Subordinated Notes on an Interest Payment Date if (i) no annual dividend has been approved by the shareholders of Sanpaolo IMI or paid in respect of any class of shares of Sanpaolo IMI during the 12-month period ending on, but excluding, the second London Business Day immediately preceding such Interest Payment Date; or (ii) the Board of Directors of Sanpaolo IMI has announced at the time of publication of any interim accounts of Sanpaolo IMI 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 accounts, no sums are available at such time in accordance with Italian law for the payment of interim dividends.

Lock-in on Tier III Subordinated Notes:

Sanpaolo IMI is entitled to suspend payments in respect of principal and interest due under Tier III Subordinated Notes without such suspension constituting an Event of Default if any of such payments would reduce the total value of Sanpaolo IMI’s regulatory capital

(“*Fondi Patrimoniali*”) below the regulatory capital requirements, either on a consolidated or on a solo basis, as required by the then applicable Bank of Italy’s Regulations. The obligations of Sanpaolo IMI in respect of interest and principal due under Tier III Subordinated Notes which are so suspended will be subject to reinstatement in certain circumstances.

Guarantee:

Notes issued by Sanpaolo IMI Bank or any New Issuer will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under such guarantee will be direct, unconditional and unsecured obligations of the Guarantor and (save for certain obligations required to be preferred by law) will rank *pari passu* and equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.

Rating:

Unless otherwise specified in the applicable Final Terms, unsubordinated Notes to be issued under the Programme will be rated Aa3 by Moody’s Investors Service Limited (“*Moody’s*”), A+ by Standard & Poor’s Ratings Services, a division of the McGraw Hill Companies Inc. (“*Standard & Poor’s*”) and AA-by Fitch Ratings (“*Fitch*”), Lower Tier II Subordinated Notes (as defined under “*Terms and Conditions of the Notes*”) to be issued under the Programme will be rated A1 by Moody’s, A by Standard & Poor’s and A+ by Fitch. Upper Tier II Subordinated Notes (as so defined) to be issued under the Programme will be rated A1 by Moody’s, A- by Standard & Poor’s and A+ by Fitch, and Tier III Subordinated Notes (as so defined) to be issued under the Programme will be rated A2 by Moody’s, on an issue by issue basis by Standard & Poor’s and A by Fitch. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Listing and admission to trading:

Application has been made to the Irish Financial Services Regulatory Authority, as competent authority under the Prospectus Directive, for the Base Prospectus to be approved. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the relevant Issuer and the relevant Dealer in relation to each Series.

Unlisted Notes may also be issued.

The applicable Final Terms will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).

Governing Law:

The Notes shall be governed by, and construed in accordance with, English law, except that the Notes issued under Condition 3 shall be governed by, and construed in accordance with, Italian law.

Selling Restrictions:

There are restrictions on the offer, sale and transfer of the Notes in the United States, the United Kingdom, Japan, Italy, Portugal, Ireland, The Netherlands and France and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes (see “*Subscription and Sale*”). As far as United States selling restrictions are concerned, the Issuers are category 2 issuers for the purposes of Regulation S under the Securities Act.

RISK FACTORS

Each Issuer and the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) believes that the following factors may affect its ability to fulfill such Issuer's obligation under the Notes issued by it under the Programme and the Guarantor's (where the relevant Issuer is other than Sanpaolo IMI) obligations under the Base Prospectus and the Offering Circular. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) is in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuers and the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) believe may be material for the purpose of assessing the market risks associated with the Notes issued under the Programme are also described below.

Each Issuer and the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) believes that the factors described below represent the principal risk inherent in investing in the Notes issued under the Programme, but the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) may be unable to pay interest, principal or other amounts on or in connection with any Note for other reasons and which may not be considered significant risks by any of the Issuers and the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) 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 the Base Prospectus and the Offering Circular and reach their own views prior to making any investment decision as these risk factors cannot be deemed complete.

Risk factors relating to the Issuer, the Guarantor and the Group

The Group's (as defined on page 69) financial results may be affected by events which are difficult to anticipate.

The Group's earnings 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, in each case on a regional, national or international level. Each of these factors can change the level of demand for the Group's products and services, the credit quality of borrowers and counterparties, the interest rate margin of the Group between lending and borrowing costs and the value of the Group's investment and trading portfolios.

The Group's financial results are affected by changes in interest rates.

The Group's results of operations are dependent to a significant extent on the level of net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. Changes in interest rates could affect the spread between interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities. Interest rates are sensitive to many factors beyond the Group's control, such as monetary policies pursued by central banks and national governments, the liberalisation of financial services and increased competition in the markets in which the Group operates, domestic and international economic and political conditions, and other factors.

The Group is subject to credit and market risk.

To the extent that any of the instruments and strategies the Group uses to hedge or otherwise manage its exposure to credit or market risk are not effective, the Group may not be able to mitigate effectively the Group's risk exposures in particular market environments or against particular types of risk. The Group'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 Group's financial results also depend upon how effectively the Group determines and assesses the cost of credit and manages its credit risk and market risk concentrations.

The Group is subject to operational risk.

The Group, like all financial institutions, is exposed to many types of operational risk, including the risk of fraud or other misconduct by employees or outsiders, unauthorized transactions by employees or operational errors, including clerical or record-keeping errors or errors resulting from faulty computer or telecommunications systems. The Group may also be subject to disruptions of its operating systems, arising from events that are wholly or partially beyond the Group's control (including, for example, failure on the part of external vendors to fulfil contractual obligations, computer viruses or electrical or telecommunication outages), which may give rise to losses in service to customers and to loss or liability to the Group. Given the Group's high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, the Group's dependence upon automated systems to record and process its transactions may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect.

The Group's risk management policies, procedures and methods may leave the Group exposed to unidentified or unanticipated risks, which could lead to material losses.

The Group has devoted significant resources to developing its risk management policies, procedures and assessment methods and intends to continue to do so in the future. Nonetheless, the Group's risk management techniques and strategies may not be fully effective in mitigating the Group's risk exposure in all economic market environments or against all types of risk, including risks that the Group may fail to identify or anticipate. Some of the Group's qualitative tools and metrics for managing risk are based upon the Group's use of observed historical market behaviour.

Market declines and volatility can materially adversely affect revenues and profits.

Conditions in the financial markets in Italy and elsewhere materially affect the Group's businesses. Market declines and increased volatility can adversely affect the credit quality of the Group's assets and could increase the risk that a greater number of the Group's customers would default on their loans or other obligations. An overall market downturn or increased volatility in market conditions can adversely affect the Group's business, results of operations and financial condition.

Protracted market declines can reduce liquidity in the markets, making it harder to sell assets and leading to material losses.

In some of the Group's businesses, protracted adverse market movements, particularly asset price declines, can reduce the level of activity in the market or reduce market liquidity. These developments can lead to material losses if the Group cannot close out deteriorating positions in a timely way. This may especially be the case for assets of the Group for which there are not very liquid markets to begin with. Assets that are not traded on stock exchanges or other public trading markets, such as derivatives contracts between banks, may have values that the Group calculates using models other than publicly quoted prices. Monitoring the deterioration of prices of assets like these is difficult and failure to do so effectively could lead to losses that the Group did not anticipate or that were higher than those anticipated. This in turn could adversely affect the Group's results of operations and financial condition.

The Group's investment banking revenues may decline in adverse market or economic conditions.

The Group's investment banking revenues, in the form of financial advisory and underwriting fees, directly relate to the number and size of the transactions in which the Group participates and are susceptible to adverse effects from sustained market downturns. These fees and other revenues are generally linked to the value of the underlying assets and therefore decline as asset values decline. In particular, the Group's revenues and profitability could sustain material adverse effects from a significant reduction in the number or size of debt and equity offerings and merger and acquisition Transactions.

The Group may generate lower revenues from brokerage, asset management and other commission- and fee-based businesses.

Market downturns may lead to declines in the volume of transactions that the Group executes for its customers and, therefore, to declines in the Group's non-interest revenues. In addition, because the fees that the Group charges for managing its clients' portfolios are in many cases based on the value or performance of those portfolios, a market downturn that reduces the value of the Group's clients' portfolios or increases the amount of withdrawals would reduce the revenues the Group receives from its asset management and custody businesses, among others. Even in the absence of a market downturn, below-market performance by the Group's mutual funds may result in increased withdrawals and reduced inflows, which would reduce the revenues the Group receives from its asset management business.

Intense competition, especially in the Italian market, where the Group has the largest single concentration of its businesses, could materially affect the Group's revenues and profitability.

Competition is intense in all of the Group's primary business areas in Italy and the other countries in which the Group conducts its business, including other European countries and the United States. Downturns in the Italian economy could add to the competitive pressure, through, for example, increased price pressure and lower business volumes for Sanpaolo IMI and its competitors to try to capture. In addition, as a result of technological advances, the growth of e-commerce and the progressive liberalisation of financial services in the European Union, there is increased competition for certain products and services from non-bank competitors, such as mutual funds, pension funds and insurance companies. If the Group is unable to continue to respond to the competitive environment in Italy with attractive product and service offerings that are profitable for the Group, the Group may lose market share in important areas of its business or incur losses on some or all of its activities.

Changes in the Italian and European regulatory framework could adversely affect the Group's business.

The Group is subject to extensive regulation and supervision by the Bank of Italy, the Italian Securities and Exchange Commission ("*CONSOB*"), the European Central Bank and the European System of Central Banks. The banking laws to which the Group is subject govern the activities in which banks and foundations may engage and are designed to maintain the safety and soundness of banks, and limit their exposure to risk. In addition, the Group must comply with financial services laws that govern its marketing and selling practices. Any changes in how such regulations are applied or the implementation of the new Basel Capital accord on capital requirements for financial institutions, may have a material effect on the Group's business and operations. As some of the banking laws and regulations affecting the Group have been recently adopted, the manner in which those laws and related regulations are applied to the operations of financial institutions is still evolving. No assurance can be given that laws and regulations will be adopted, enforced or interpreted in a manner what will not have an adverse effect on the business, financial condition, cash flows and results of operations of the Group.

Changes from Italian GAAP to IFRS may make comparison with Sanpaolo IMI's current audited consolidated financial statements extremely difficult.

Pursuant to European Community Regulation EC 1606/2002, all companies listed on stock exchanges in the European Union, including Sanpaolo IMI, are required to prepare their financial statements in accordance with international financial reporting standards ("*IFRS*"), beginning with the accounts for the financial year ended 31 December 2005. The nature and scope of the changes Sanpaolo IMI will be required to make to its accounting policies and practices are currently unclear. Sanpaolo IMI cannot exclude the possibility that the change to IFRS could have a significant impact on individual line items in its consolidated financial statements and make any comparison with its current financial statements extremely difficult.

Risk factors relating to certain types of Notes

The Programme offers products intended for experienced institutional investors and these products may not be suitable for other investors.

The Programme allows for a range of straightforward and complicated or "*structured*" products to be offered to or requested by professional investors. In particular, structured products may be subject to volatility in pricing and liquidity. These types of product are only suitable for professional and sophisticated investors who understand the risks involved in an investment of this type.

Notes may not be a suitable investment for all investors

Each potential investor in any 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 relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in the Base Prospectus and the Offering Circular, the applicable Final Terms 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 relevant Notes and the impact such investment 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 relevant Notes, including where principal or interest is payable in one or more currencies, or whether the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such Notes may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the assistance of a financial adviser) to evaluate how such Notes will perform under changing conditions, the resulting effects on the value of such 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 certain such features:

Notes subject to optional redemption by the relevant Issuer

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

Index linked Notes and Dual Currency Notes

Each 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 (each, a “*Relevant Factor*”). In addition, each 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 current than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier great than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly-paid Notes

Each 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 its 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 such 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 relevant Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the relevant Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of such Notes since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant 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 relevant 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 to their nominal 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.

The relevant Issuer's obligations under Subordinated Notes are subordinated

As described under Condition 3 under “*Terms and Conditions of the Notes*”, the payment obligations of the relevant Issuer in respect of Subordinated Notes issued by it will be subordinated and will rank behind the claims of Senior Creditors of the relevant Issuer. “*Senior Creditors of the relevant Issuer*” means creditors of the relevant Issuer who are either unsubordinated creditors of the relevant Issuer or who are subordinated creditors of the relevant Issuer but whose claims are expressed to rank in priority to the claims of the holders of Subordinated Notes (whether only in the winding up of the relevant Issuer or otherwise). Payments of principal and interest in respect of Subordinated Notes (whether in the winding up of the relevant Issue or otherwise) will be conditional upon the relevant Issuer being solvent at the time of making such payments. Principal or interest will not be paid in respect of Subordinated Notes except to the extent that the relevant Issuer could make such payment and still be solvent immediately thereafter.

In the event of the dissolution, liquidation and/or bankruptcy of the relevant Issuer, the holders of Subordinated Notes will only be paid by the relevant Issuer after all Senior Creditors of the Issuer have been paid in full.

The Guarantor's obligations under the Trust Deed in respect of Subordinated Notes are subordinated

As described under Condition 2 of “*Terms and Conditions of the Notes*”, the payment obligations of the Guarantor under the Trust Deed in respect of Subordinated Notes will be subordinated and will rank behind the claims of Senior Creditors of the Guarantor. “*Senior Creditors of the Guarantor*” means creditors of the Guarantor who are either unsubordinated creditors of the Guarantor or who are subordinated creditors of the Guarantor but whose claims are expressed to rank in priority to the claims of the holders of Subordinated Notes or other persons claiming under the Trust Deed (whether only in the winding up of the Guarantor or otherwise). Payments under the Trust Deed will be conditional upon the Guarantor being solvent at the time of making such payments. Payment will not be made under the Trust Deed except to the extent that the Guarantor could make such payment and still be solvent immediately thereafter.

In the event of the dissolution, liquidation and/or bankruptcy of the Guarantor, the holders of Subordinated Notes will only be paid by the Guarantor after all Senior Creditors of the Guarantor have been paid in full.

Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a significant risk that an investor in Subordinated Notes will lose all or some of his investment in the event that the relevant Issuer and the Guarantor become insolvent.

In no event will holders of Subordinated Notes be able to accelerate the maturity of their Subordinated Notes; such holders will have claims only for amounts then due and payable on their Subordinated Notes. After Sanpaolo IMI has fully paid all deferred interest on any issue of Subordinated Notes and if that issue of Subordinated Notes remains outstanding, future interest payments on that issue of Subordinated Notes will be subject to further deferral as described above.

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

The obligations in respect of the Subordinated Notes are not covered by the “*Fondo Interbancario di Tutela dei Depositi*” (“*Italian Inter-Bank Fund for the Protection of Deposits*”).

Under certain conditions, principal and interest payments under Upper Tier II Subordinated Notes must be reduced

Sanpaolo IMI will be required to reduce payment of interest and principal under the Upper Tier II Subordinated Notes, in the event that Sanpaolo IMI at any time suffers losses which (as provided for in Articles 2446 and 2447 of the Italian Civil Code) would require Sanpaolo IMI to reduce its paid up share capital and reserves below the Minimum Capital (as defined in Condition 3(b)(i)), to the extent necessary to enable Sanpaolo IMI, in accordance with requirements under Italian legal and regulatory provisions, to maintain at least the Minimum Capital as provided by the then applicable Bank of Italy Regulations. Such obligations will be reinstated whether or not the Maturity Date of the relevant obligations has occurred: (A) in whole, in the event of winding up, dissolution, liquidation or bankruptcy (including, inter alia, Liquidazione Coatta Amministrativa, as described in Articles 80 to 94 of the Italian Banking Act) of Sanpaolo IMI and with effect immediately prior to the commencement of such winding up, dissolution, liquidation or bankruptcy (including, inter alia, Liquidazione Coatta Amministrativa), as if such obligations of Sanpaolo IMI had not been so reduced in accordance with this Condition 3(b)(i) and (B) in whole or in part, from time to time, to the extent that Sanpaolo IMI, by reason of its having profits, or by reason of its obtaining new capital contributions, or by reason of the occurrence of any other event, would again have at least the Minimum Capital and, therefore, would not be required to reduce its obligations in respect of principal and interest in accordance with this Condition 3(b)(i).

Under certain conditions, interest payments under Upper Tier II Subordinated Notes must be deferred

Sanpaolo IMI 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 Sanpaolo IMI or paid in respect of any class of shares of Sanpaolo IMI during the 12-month period ending on, but excluding, the second London Business Day (as defined in Condition 4(b)(v)) immediately preceding such Interest Payment Date, or (B) the Board of Directors of Sanpaolo IMI has announced, at the time of the release of any interim accounts published during the six-month period ending on, but excluding, the second London Business Day immediately preceding such Interest Payment Date, that, based on such interim accounts, no sums are available at such time for the payment of interim dividends, in accordance with Article 2433-bis of the Italian Civil Code. Any such unpaid amounts of interest will constitute arrears of interest which will bear interest at the rate applicable to the relevant Upper Tier II Subordinated Notes. Arrears of interest (together with any additional interest amount in respect of such arrears of interest) will become due and payable (I) in part pari passu and pro rata if and to the extent that Sanpaolo IMI 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 Sanpaolo IMI; (b) the date for repayment of the Upper Tier II Subordinated Notes; or (c) the date on which the Liquidazione Coatta Amministrativa of Sanpaolo IMI is commenced pursuant to Article 83 of the Italian Banking Act or on which Sanpaolo IMI becomes subject to a liquidation order.

Under certain conditions, principal and interest payments under Tier III Subordinated Notes must be suspended and deferred

Sanpaolo IMI will not be required to pay interest and/or principal on Tier III Subordinated Notes if, at the time any such payment becomes due, (A) Sanpaolo IMI's Total Amount of Regulatory Capital (as defined in Condition 3(c)(ii)) is, on a consolidated or unconsolidated basis, less than the aggregate minimum credit risk (rischio creditizio) capital requirements of Sanpaolo IMI, as provided by the then applicable Bank of Italy Regulations, on a consolidated or unconsolidated basis; or (B) upon payment of interest and/or repayment of principal under the Tier III Subordinated Notes, Sanpaolo IMI's Total Amount of Regulatory Capital becomes, on a consolidated or unconsolidated basis, less than the aggregate minimum credit risk (rischio creditizio) capital requirements of Sanpaolo IMI, as provided by the then applicable Bank of Italy Regulations, on a consolidated or unconsolidated basis. The obligations of Sanpaolo IMI to effect such payment of interest and/or principal will (subject to, and to the extent provided in, Condition 3(c)(ii)), be reinstated in the event of a bankruptcy, dissolution, liquidation or winding-up of Sanpaolo IMI or in the event that Sanpaolo IMI becomes subject to an order for Liquidazione Coatta Amministrativa; or in the event that Sanpaolo IMI's Total Amount of Regulatory Capital after the payment of interest and/or repayment of principal is, both on an unconsolidated and on a consolidated basis, equal to or more than the minimum aggregate credit risk (rischio creditizio) capital requirements of Sanpaolo IMI, both on an unconsolidated and consolidated basis, as respectively required by the then applicable Bank of Italy Regulations.

Risks related to Notes generally

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

Modification, waivers and substitution

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

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 11 of the conditions of the Notes.

Withholding Tax

In addition to the requirements of European Council Directive 2003/48/EC set out below in certain circumstances, in the event that any withholding tax or deduction for tax is imposed on payments of interest on the Notes, the Noteholders may not be entitled to receive grossed-up amounts to compensate for such withholding or deduction.

Pursuant to Decree Law 193/2005, from 1 January 2006 Sanpaolo IMI Bank is required to withhold tax on interest payments made by Sanpaolo IMI Bank to Noteholders resident in Portugal. Noteholders who are not resident in Portugal will have to provide a certificate (or other type of document described in the applicable legislation, as set out in Taxation below (page 92)) to Sanpaolo IMI Bank confirming that they are not resident in Portugal for tax purposes in order to be exempt from withholding tax.

EU Savings Directive

If, following implementation of European Council Directive 2003/48/EC, a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on a payment made by a Paying Agent following implementation of this Directive, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

Change of law

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

Trading in the clearing systems

In relation to any issue of the Notes which have a minimum denomination and are tradable 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.

Risk factors related to the market generally

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be 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 requires 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 severally adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

The relevant Issuer will pay principal and interest on the Notes and the Guarantor will make any payments under the Trust Deed in the currency of payment specified in the applicable Final Terms. 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 currency of payment. These include the risk that exchange rates may significantly change (including changes due to devaluation of the currency of payment 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 currency of payment 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 rate notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the fixed rate notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of 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 risk factors

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 advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules. Investors should be aware of the Selling Restrictions set out on page 105.

FORM OF THE NOTES

Each Tranche of Notes will be in bearer form and will initially be issued in the form of a temporary global Note (a “*Temporary Global Note*”) or, if so specified in the applicable Final Terms, a permanent global Note (a “*Permanent Global Note*”), which will be delivered on or prior to the issue date of the Tranche to a common depositary (the “*Common Depositary*”) on behalf of Euroclear Bank S.A./N.V. as operator of the Euroclear System (“*Euroclear*”) and Clearstream Banking, société anonyme (“*Clearstream, Luxembourg*”). While any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

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

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Global Note without any requirement for certification. The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days’ written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein or (ii) only upon the occurrence of an Exchange Event. For these purposes, “*Exchange Event*” means that (i) an Event of Default (as defined in Condition 9) has occurred and is continuing, (ii) the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no alternative clearing system satisfactory to the Trustee is available or (iii) the relevant Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 7 which would not be required were the Notes represented by the Permanent Global Note in definitive form and a certificate to such effect signed by two directors of the relevant Issuer is delivered to the Trustee. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Trustee may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the relevant Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Agent. No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor

unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

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

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

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

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

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

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the relevant Issuer, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI), the Agent and the Trustee.

Form of Final Terms

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

[Date]

[SANPAOLO IMI S.p.A.]
[SANPAOLO IMI BANK (INTERNATIONAL) S.A.]
[SANPAOLO IMI BANK IRELAND PLC]
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
[Guaranteed by SANPAOLO IMI S.p.A.]
under a Euro 20,000,000,000
Euro Medium Term Note Programme

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes set forth in the Base Prospectus (which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the *“Prospectus Directive”*) and the Offering Circular dated []. This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus and the Offering Circular. Full information on the Issuers and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus and Offering Circular.

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

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the “Conditions”) set forth in the [Base Prospectus][Offering Circular] dated [original date]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”) and must be read in conjunction with the Offering Circular and Base Prospectus dated [current date] which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the [Offering Circular][Base 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 [Offering Circular[s]][Base Prospectus[s]] dated [current date] and [original date].

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

[If the Notes are issued by an Issuer other than Sanpaolo IMI and have a maturity of less than one year, and the proceeds of the issue are accepted in the United Kingdom, the minimum denomination must be £100,000 or its equivalent in any other currency.]

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

1. (i) Issuer: []
(ii) Guarantor: []
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:
– Tranche: []
– Series: []
5. (i) Issue Price of Tranche: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
(ii) Net Proceeds: [] (Required only for listed issues)
6. Specified Denominations: [] *[(N.B. minimum denomination of €50,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) for Notes which are to be admitted to trading on a regulated market within the EEA or offered to the public in an EEA State in circumstances*

which require the publication of a prospectus under the Prospectus Directive) and in the case of unlisted Notes issued by Sanpaolo IMI Bank Ireland, the minimum denomination shall be €500,000 (or if the Notes are denominated in a currency other than euro, the equivalent amount in such currency)]

[]

7. [(i)] Issue Date: []
- [(ii)] Interest Commencement Date (if different from the Issue Date): []
8. Maturity Date: *[Fixed rate – specify date/ Floating rate – Interest Payment Date falling in [specify 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 Sanpaolo IMI, (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 two years)*
9. Interest Basis: [[] per cent. Fixed Rate]
 [[specify reference rate] +/- [] per cent. Floating Rate]
 [Zero Coupon]
 [Index Linked Interest]
 [Dual Currency]
 [specify other]
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
 [Index Linked Redemption]
 [Dual Currency]
 [Partly Paid]
 [Instalment]
 [specify other]
11. Change of Interest Basis or Redemption/Payment Basis: *[Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]*
12. Put/Call Options: [Investor Put]
 [Issuer Call]
 [(further particulars specified below)]
- [13. Status of the Notes: [Senior Notes/Lower Tier II Subordinated Notes/ Upper Tier II Subordinated Notes/Tier III Subordinated Notes]
(Applicable only if the relevant Issuer is Sanpaolo IMI)]
14. Listing: [Ireland/specify other/None]
15. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate[(s)] of Interest: [] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
 - (ii) Interest Payment Date(s): [] in each year up to and including the [Maturity Date/specify other] *(amend in the case of long or short coupons)*
 - (iii) Fixed Coupon Amount[(s)]: [] per [] in nominal amount
 - (iv) Broken Amount(s): *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount(s)]*
 - (v) Day Count Fraction: [30/360/Actual/Actual (ICMA) / specify other]
 - (vi) Determination Date(s): [] in each year
[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. This will need to be amended in the case of regular interest payment dates which are not of equal duration. (Only relevant where Day Count Fraction is Actual/Actual (ICMA))]
 - (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/specify details]
17. **Floating Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph. Also consider whether 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 Day Convention/Preceding Business Day Convention/specify other]
 - (iii) Additional Business Centre(s): []
(Note that this paragraph relates to the determination of interest period end dates)
 - (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination / ISDA Determination/ specify other]

- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): []
- (vi) Screen Rate Determination:
- Reference Rate: []
(Either LIBOR, EURIBOR or other, although additional information is required if other, including fallback provisions)
 - Interest Determination Date(s): []
(Second London business day prior to the start of each Interest Period if LIBOR (other than Euro or Sterling LIBOR), first day of each Interest Period if Sterling LIBOR and second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or Euro LIBOR)
 - Relevant Screen Page: []
(In the case of EURIBOR, if not Telerate Page 248 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
- (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 and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
18. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Accrual Yield: [] per cent. per annum
 - (ii) Reference Price: []

- (iii) Any other formula/basis of determining amount payable: []
- (iv) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 6(e)(iii) and 6(j) apply/specify other]
(Consider applicable day count fraction if not U.S. dollar denominated)
19. **Index Linked Interest Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Index/Formula: [specify or annex details]
- (ii) Calculation Agent responsible for calculating the interest due: []
- (iii) Provisions for determining coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [] (Need to include a description of 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 Day Convention/Preceding Business Day Convention/specify other]
- (vi) Additional Business Centre(s): []
- (vii) Minimum Rate of Interest: [] per cent. per annum
- (viii) Maximum Rate of Interest: [] per cent. per annum
- (ix) Day Count Fraction: []
20. **Dual Currency Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate of Exchange/Method of calculating Rate of Exchange: [specify details]
- (ii) Calculation Agent, if any, responsible for calculating the interest payable: []
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: []

- (iv) Person at whose option []
Specified Currency(ies) is/are
payable:

PROVISIONS RELATING TO REDEMPTION

21. Issuer Call: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): []
(If the Notes are Subordinated Notes, unless otherwise permitted by current laws, regulations, directives and/or the Bank of Italy's requirements applicable to the issue of Subordinated Notes by Sanpaolo IMI, 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, two years after the Issue Date)
- (ii) Optional Redemption [] per Note of [] Specified Denomination
Amount of each Note and
method, if any, of calculation
of such amount(s):
- (iii) If redeemable in part:
- (a) Minimum Redemption []
Amount:
- (b) Higher Redemption []
Amount:
- (iv) Notice period (if other than []
as set out in the Conditions):
(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)
22. Investor Put: [Applicable/Not Applicable]
(Applicable only to Senior Notes. If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption [] per Note of [] Specified Denomination
Amount of each Note and
method, if any, of calculation
of such amount(s):

(iii) Notice period (if other than [] as set out in the Conditions):

(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)

23. Final Redemption Amount of each Note: [[] per Note of [] Specified Denomination/specify other/see Appendix]

(N.B. In relation to any issue of Notes which are expressed at paragraph 6 above to have a minimum denomination and tradeable amounts above such minimum denomination which are smaller than it, the following wording should be added: "For the avoidance of doubt, in the case of a holding of Notes in an integral multiple of [] in excess of [] as envisaged in paragraph 6 above, such holding will be redeemed at its nominal amount")

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

24. Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 6(e)): [] per Note of [] Specified Denomination calculated in accordance with Condition 6(e) or [specify other]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes: [Temporary Global Note exchangeable on and after the Exchange Date for a Permanent Global Note which is exchangeable for definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

[Temporary Global Note exchangeable for definitive Notes on and after the Exchange Date]

[Permanent Global Note exchangeable for definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event] (Only if "TEFRA C" or "TEFRA not applicable" is specified in paragraph 34)]

26. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/specify details]
(Note that this paragraph relates to the place of payment and not to interest period end dates, to which sub-paragraphs 17 (iii) and 19 (vi) relate)
27. Talons for future Coupons or Receipts to be attached to definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, specify 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/specify details]
(A new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues)
29. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/specify details]
30. Redenomination provisions: [Not applicable/The provisions annexed to these Final Terms apply]
(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))
31. Other terms or special conditions: [Not Applicable/specify details]

DISTRIBUTION

32. (i) If syndicated, names of Managers: [Not Applicable/specify details]
- (ii) Stabilising Manager (if any): [Not Applicable/specify details]
33. If non-syndicated, name of relevant Dealer: []
34. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: [TEFRA D/TEFRA C/TEFRA not applicable]
35. Additional selling restrictions: [Not Applicable/specify details]

OPERATIONAL INFORMATION

36. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/specify name(s) and number(s)]

37. Delivery: Delivery [against/free of] payment
38. Additional Paying Agent(s) (if any): []
- ISIN: []
- Common Code: []

RESPONSIBILITY

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

Signed on behalf of the Issuer: [Signed on behalf of the Guarantor:

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

If the applicable Final Terms specify any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 4, 5, 6 (except Condition 6(b)), 12, 13, 14, 15 (insofar as such Notes are not listed on any stock exchange) or 17, it will not necessitate the preparation of a supplement to the Base Prospectus/Offering Circular. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplement to the Base Prospectus/Offering Circular will be prepared, if appropriate.

[RELEVANT SIGNATURES]

PART B – OTHER INFORMATION ¹

[1. ADDITIONAL RISK FACTORS [Include any product specific risk factors which are not covered under “*Risk Factors*” in the Base Prospectus and the Offering Circular. If any such additional risk factors need to be included consideration should be given as to whether they constitute “*significant new factors*” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]]

[2. RATINGS

[Where the Notes issued under a Tranche have been rated please provide details of such ratings if not otherwise stated.]

[3. NOTIFICATION

The [name of competent authority in home Member State] [has been requested to provide/has provided – include first alternative for an issue which is contemporaneous with the 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 Base 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 Issuers are aware, no person involved in the issue of the Notes has an interest material to the offer. – Amend as appropriate if there are other interests]

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

[(i) Reasons for the offer []

[See “*Use of Proceeds*” wording in the Base Prospectus and the Offering Circular – if reasons for offer different from making profit and/or hedging certain risks will need to include 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]

¹ If an issue of Notes is (i) NOT admitted to trading on a regulated market within the European Economic Area and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive, the Issuer may elect to amend and/or delete certain of the above paragraphs of Part B.

[6. YIELD (Fixed Rate Notes only)

Indication of yield: []

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

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

[7. HISTORIC INTEREST RATES (Floating Rate Notes only)

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

[8. PERFORMANCE OF RATE(S) OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT (Notes with different currency of denomination and currency of payment, as specified in these Final Terms, only)

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

[9. LISTING APPLICATION

These Final Terms comprise the final terms required to list the issue of Notes described herein pursuant to the Euro 20,000,000,000 Euro Medium Term Note Programme of SANPAOLO IMI S.p.A., SANPAOLO IMI BANK (INTERNATIONAL) S.A. and SANPAOLO IMI BANK IRELAND PLC]

TERMS AND CONDITIONS OF THE NOTES

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

This Note is one of a Series (as defined below) of Notes issued by SANPAOLO IMI S.p.A. (“*Sanpaolo IMF*”), SANPAOLO IMI BANK (INTERNATIONAL) S.A. (“*Sanpaolo IMI Bank*”), SANPAOLO IMI BANK IRELAND PLC (“*Sanpaolo IMI Bank Ireland*”) or, as the case may be, another subsidiary of Sanpaolo IMI (a “*New Issuer*” and, together with Sanpaolo IMI (in its capacity as an issuer), Sanpaolo IMI Bank and Sanpaolo IMI Bank Ireland, the “*Issuers*” and each an “*Issuer*”) appointed as an issuer under the Trust Deed (as defined below) and constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the “*Trust Deed*,”) dated 27 April 1999 and made between Sanpaolo IMI (in its capacity both as an Issuer and as guarantor (in such capacity, the “*Guarantor*”) of Notes issued other than by Sanpaolo IMI), Sanpaolo IMI Bank, Sanpaolo IMI Bank Ireland and The Law Debenture Trust Corporation p.l.c. (the “*Trustee*”, which expression shall include any successor as Trustee).

References in these Terms and Conditions to the “*relevant Issuer*” shall be to the Issuer of the Notes named in the applicable Final Terms (as defined below).

References in these Terms and Conditions to the “*Notes*” shall be references to the Notes of this Series and shall mean:

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

The Notes, the Receipts (as defined below) and the Coupons (as defined below) also have the benefit of an amended and restated Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the “*Agency Agreement*”) dated 25 November 2005 and made between Sanpaolo IMI (in its capacity both as an Issuer and as Guarantor of Notes issued other than by Sanpaolo IMI), Sanpaolo IMI Bank, Sanpaolo IMI Bank Ireland, Deutsche Bank AG, London Branch, as issuing and principal paying agent and agent bank (the “*Agent*”, which expression shall include any successor agent), the other paying agents named therein (together with the Agent, the “*Paying Agents*”, which expression shall include any additional or successor paying agents) and the Trustee.

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

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

The Trustee acts for the benefit of the holders for the time being of the Notes (the “*Noteholders*” or “*holders*”, which expressions shall, in relation to any Notes represented by a Global Note, be construed as provided below), the holders of the Receipts (the “*Receiptholders*”) and the holders of the Coupons (the “*Couponholders*”, which expression shall, unless the context otherwise requires, include the holders of the Talons), all in accordance with the provisions of the Trust Deed.

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

Copies of the Trust Deed and the Agency Agreement are available for inspection and copies of the applicable Final Terms are obtainable during normal business hours at the registered office for the time being of the Trustee in London and at the specified office of each of the Paying Agents save that, if this Note is an unlisted Note of any Series, the applicable Final Terms will only be available for inspection by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Trustee or, as the case may be, the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, are bound by, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

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

1. Form, Denomination and Title

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

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

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

If the relevant Issuer is other than Sanpaolo IMI, this Note is a Senior Note. If the relevant Issuer is Sanpaolo IMI, this Note may be a Senior Note, a Lower Tier II Subordinated Note, an Upper Tier II Subordinated Note or a Tier III Subordinated Note, depending on the Status of the Notes specified in the applicable Final Terms.

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

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

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. as operator of the Euroclear System (“Euroclear”) and/or Clearstream Banking, société anonyme (“Clearstream, Luxembourg”), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the relevant Issuer, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI), the Trustee and the Paying Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note (or the Trustee in accordance with the Trust Deed) shall be treated by the relevant Issuer, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI), the Trustee and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “*Noteholder*” and “*holder of Notes*” and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest or proven error, be conclusive and binding on all concerned. Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the relevant Issuer, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI), the Agent and the Trustee.

2. Status of the Senior Notes and the Guarantee

(a) Status of the Senior Notes

The Senior Notes and any relative Receipts and Coupons constitute direct, unconditional, unsubordinated and unsecured obligations of the relevant Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the relevant Issuer, from time to time outstanding.

(b) Status of the Senior Guarantee

The Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed the payment of all principal and interest and other sums from time to time payable under the Trust Deed in respect of Senior Notes and any relative Receipts and Coupons issued by each Issuer other than Sanpaolo IMI. The obligations of the Guarantor under such guarantee (the “*Guarantee*”) are direct, unconditional, unsubordinated and unsecured

obligations of the Guarantor and (save for certain obligations required to be preferred by law) rank *pari passu* and equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.

3. Status of the Subordinated Notes

This Condition 3 applies only to Notes issued by Sanpaolo IMI and specified in the relevant Final Terms as being Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes or Tier III Subordinated Notes. Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes and Tier III Subordinated Notes are together referred to in these Terms and Conditions as “Subordinated Notes”.

(a) Status of Subordinated Notes

- (i) The Lower Tier II Subordinated Notes (*passività subordinate*, as defined in Title IV, Chapter I, Section II, paragraph 4.2 of the Regulations of the Bank of Italy (*Istruzioni di Vigilanza per le Banche*) (the “*Bank of Italy’s Regulations*”) or in any provision which, from time to time, amends or replaces such definition), the Upper Tier II Subordinated Notes (*strumenti ibridi di patrimonializzazione*, as defined in Title IV, Chapter 1, Section II, paragraph 4.1 of the Bank of Italy’s Regulations or in any provision which, from time to time, amends or replaces such definition) and the Tier III Subordinated Notes (*prestiti subordinati di 3° livello*, as defined in Title IV, Chapter 3, First Part, Section I, paragraph 3 of the Bank of Italy’s Regulations or in any provision which, from time to time, amends or replaces such definition) and any relative Receipts and Coupons constitute direct, unsecured and subordinated obligations of Sanpaolo IMI and, subject to Condition 3(a)(ii), 3(b)(i), 3(b)(ii) and 3(c), rank *pari passu* without any preference among themselves. In relation to each Series of Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes or Tier III Subordinated Notes, all Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes or Tier III Subordinated Notes, as the case may be, of such Series will be treated equally and all amounts paid by Sanpaolo IMI in respect of principal and interest thereon will be paid pro rata on all Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes or Tier III Subordinated Notes, as the case may be, of such Series.
- (ii) In the event of the winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*, as described in Articles 80 to 94 of Legislative Decree No. 385 of 1 September 1993, as amended from time to time (the “*Italian Banking Act*”) of Sanpaolo IMI, the payment obligations of Sanpaolo IMI under each Series of Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes or Tier III Subordinated Notes, as the case may be, and the relative Receipts and Coupons will rank in right of payment after unsubordinated unsecured creditors (including depositors) of Sanpaolo IMI but at least *pari passu* with all other subordinated obligations of Sanpaolo IMI which do not rank or are not expressed by their terms to rank junior or senior to such Series of Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes or Tier III Subordinated Notes, as the case may be, and in priority to the claims of shareholders of Sanpaolo IMI.
- (iii) Each holder of a Subordinated Note unconditionally and irrevocably waives any right of setoff, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Subordinated Note.

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

(i) *Loss Absorption*

To the extent that Sanpaolo IMI at any time suffers losses which (as provided for in Articles 2446 and 2447 of the Italian Civil Code) would require Sanpaolo IMI 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 and certified in writing to the Trustee by two Directors of Sanpaolo IMI (the "*Minimum Capital*"), the obligations of Sanpaolo IMI in respect of principal and interest under the Upper Tier II Subordinated Notes will be reduced to the extent necessary to enable Sanpaolo IMI, in accordance with requirements under Italian legal and regulatory provisions, to maintain at least the Minimum Capital. The obligations of Sanpaolo IMI 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 (including, *inter alia*, *Liquidazione Coatta Amministrativa*, as described in Articles 80 to 94 of the Italian Banking Act) of Sanpaolo IMI and with effect immediately prior to the commencement of such winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*), as if such obligations of Sanpaolo IMI had not been so reduced in accordance with this Condition 3(b)(i); and
- (B) in whole or in part, from time to time, to the extent that Sanpaolo IMI, by reason of its having profits, or by reason of its obtaining new capital contributions, or by reason of the occurrence of any other event, would again have at least the Minimum Capital and, therefore, would not be required to reduce its obligations in respect of principal and interest in accordance with this Condition 3(b)(i).

Sanpaolo IMI shall forthwith give notice of any such reduction and/or reinstatement to the Noteholders in accordance with Condition 15.

(ii) *Deferral of Interest*

Sanpaolo IMI 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 Sanpaolo IMI or paid in respect of any class of shares of Sanpaolo IMI during the 12-month period ending on, but excluding, the second London Business Day (as defined in Condition 4(b)(v)) immediately preceding such Interest Payment Date or (B) the Board of Directors of Sanpaolo IMI has announced, at the time of the release of any interim accounts published during the six-month period ending on, but excluding, the second London Business Day immediately preceding such Interest Payment Date, that, based on such interim accounts, no sums are available at such time for the payment of interim dividends, in accordance with Article 2433-bis of the Italian Civil Code.

Any such unpaid amounts of interest will constitute arrears of interest which will bear interest at the rate applicable to the relevant Upper Tier II Subordinated Notes. Arrears of interest (together with any additional interest amount in respect of such arrears of interest) will become due and payable (i) in part *pari passu* and *pro rata* if and to the extent that Sanpaolo IMI 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 Sanpaolo IMI; (B) the date for repayment of the Upper Tier II Subordinated Notes; or (C) the date on which the *Liquidazione Coatta*

Amministrativa of Sanpaolo IMI is commenced pursuant to Article 83 of the Italian Banking Act or on which Sanpaolo IMI becomes subject to a liquidation order.

(c) *Special Provisions relating to Tier III Subordinated Notes*

(i) *Lock-in*

(1) Tier III Subordinated Notes shall be subject to a lock-in clause (*clausola di immobilizzo*) pursuant to which the payment of the sums due by Sanpaolo IMI with respect to principal and interest will be entirely suspended and deferred without such suspension and deferral constituting an Event of Default under Condition 9 below if, at the time any such payment becomes due:

- (A) any of such payments would reduce Sanpaolo IMI's Total Amount of Regulatory Capital (*Fondi Patrimoniali*) (as defined below), either on a consolidated or unconsolidated basis, below the aggregate minimum credit risk (*rischio creditizio*) capital requirements of Sanpaolo IMI as required by the then applicable Bank of Italy's Regulations; or
- (B) Sanpaolo IMI's Total Amount of Regulatory Capital (as defined below) is, either on a consolidated or unconsolidated basis, less than the aggregate minimum credit risk (*rischio creditizio*) capital requirements of Sanpaolo IMI, as provided by the then applicable Bank of Italy's Regulations.

“*Total Amount of Regulatory Capital*” means:

- (I) on an unconsolidated basis, the aggregate amount of the items stated and defined in (a), (b), (c), (d), (e) and (f) below and/or any additional replacement and/or adjusted or other items, in each case which may from time to time be required to be included pursuant to any then applicable regulations of the Bank of Italy's Regulations for the purpose of calculating the Issuer's Total Amount of Regulatory Capital;
- (II) on a consolidated basis, the aggregate amount of the items listed in (I) above, calculated on a consolidated basis, according to the Bank of Italy's Regulations from time to time applicable;

where:

- (a) means taken as a positive figure, the aggregate amount of the regulatory capital of Sanpaolo IMI (*Patrimonio di Vigilanza*), calculated on an unconsolidated basis, as set forth in the then applicable Bank of Italy's Regulations;
- (b) means taken as a positive figure, the aggregate amount of any indebtedness of Sanpaolo IMI qualified by the Bank of Italy as Tier III Subordinated Capital (*passività subordinate di 3° livello*), intended to cover the minimum capital requirements for market risk, calculated on an unconsolidated basis (as currently defined in Title IV, Chapter 3, Section II of the Bank of Italy's Regulations or any provision which amends or replaces such definition) in accordance with the following sub-paragraph (c);

- (c) means taken as a negative figure, the minimum capital requirements for market risk of Sanpaolo IMI, calculated on an unconsolidated basis (as currently defined in Title IV, Chapter 3, Section II of the Bank of Italy's Regulations or any provision which amends or replaces such definition);
 - (d) means taken as a negative figure, the excess over the limit on the ownership of shareholdings in non-financial companies acquired by Sanpaolo IMI following the recovery of credits (as currently defined in Title IV, Chapter 9, Section V of the Bank of Italy's Regulations or any provision which amends or replaces such definition);
 - (e) means taken as a negative figure, the excess over the limit on the ownership of the real estate acquired by Sanpaolo IMI following the recovery of credits (as currently defined in Title IV, Chapter 10, Section II of the Bank of Italy's Regulations or any provision which amends or replaces such definition);
 - (f) means taken as a negative figure, the additional specific capital requirements, if any, imposed on Sanpaolo IMI by the Bank of Italy, to the extent not taken into account in sub-paragraphs (c) to (e) above.
- (2) For the purposes of the Tier III Subordinated Notes, Sanpaolo IMI's Total Amount of Regulatory Capital is deemed to be equal to or more than the minimum credit risk (*rischio creditizio*) capital requirements of Sanpaolo IMI, when Sanpaolo IMI's Total Amount of Regulatory Capital, calculated both on a consolidated and unconsolidated basis, is equal to or more than the minimum credit risk capital requirements set out in Title IV, Chapter 2, Section II and Section III respectively of the Bank of Italy's Regulations or in any provision which, from time to time, amends or replaces such definition.
- (3) Any interest that Sanpaolo IMI does not pay when due shall constitute, for the purposes of the Tier III Subordinated Notes, "*Arrears of Interest*". Arrears of Interest not paid when due by Sanpaolo IMI in accordance with Condition 3(c)(i) shall not bear interest in respect of the period to which a suspension or deferral under Condition 3(c)(i) applies.
- (ii) *Reinstatement of Sanpaolo IMI's payment obligations*
- (1) The obligations of Sanpaolo IMI to effect the payments of interest not paid and/or to repay principal not repaid, when respectively due, in accordance with Condition 3(c)(i) above, shall be reinstated and shall start to accrue in whole and as if the payment obligations of Sanpaolo IMI had never been so suspended:
- (A) in the event of a winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*, as described in Articles 80 to 94 of the Italian Banking Act) of Sanpaolo IMI; or
 - (B) in the event that Sanpaolo IMI's Total Amount of Regulatory Capital (as defined above) after the payment of interest and/or repayment of principal is, both on an unconsolidated and consolidated basis, equal to or more than the minimum aggregate credit risk (*rischio creditizio*) capital requirements of Sanpaolo IMI, on an unconsolidated and consolidated basis, as respectively required by the then applicable requirements of the Bank of Italy's Regulations.

- (2) Should (B) above occur, the reinstatement of the obligation to make the payments of interest not paid and/or to repay principal not repaid pursuant to Condition 3(c)(i) above, shall become effective on the first Interest Payment Date immediately following the date of receipt by the Bank of Italy of a Report (as defined below) dated as of 31 December, 31 March, 30 June or 30 September which is the closest to the Interest Payment Date, according to which Sanpaolo IMI's Total Amount of Regulatory Capital net of amounts to be paid in respect of interest and/or repayment of principal, both on a consolidated and unconsolidated basis (if it is a Report dated as of 31 December or 30 June) or on an unconsolidated basis only (if it is a Report dated as of 31 March or 30 September), is equal to or more than the minimum aggregate credit risk (*rischio creditizio*) capital requirements under the then applicable Bank of Italy's Regulations, provided that if the Report is dated as of 31 March or 30 September, such capital requirements were satisfied on a consolidated basis in the previous Report dated as of 31 December or 30 June (as applicable).

If the payment of interest and/or the repayment of principal has been suspended pursuant to the provisions of Condition 3(c)(i), the reinstatement of the obligation to make payment and/or repayment in respect thereof shall, where there are insufficient amounts pursuant to the foregoing provisions to make full payment in respect thereof, be made in part as such amounts become so available pursuant to the foregoing provisions in the following order:

- (i) payment of any Arrears of Interest (as defined above) (where not paid in full, Arrears of Interest shall be paid in the order in which it accrued);
- (ii) payment of interest otherwise due pursuant to the applicable Final Terms; and
- (iii) repayment of principal.

All payments to Noteholders of the same Series will be made on a pro rata basis.

In these Terms and Conditions:

“*Report*” means the report that Sanpaolo IMI, under Title IV, Chapter 2, Sections II and III of the Bank of Italy's Regulations, is required to send semi-annually to the Bank of Italy for the purpose of supervising Sanpaolo IMI's compliance with minimum regulatory capital requirements, on an unconsolidated and consolidated basis, as of 31 December and 30 June of each fiscal year or the quarterly report which Italian banks are currently required to submit for the purpose of supervising compliance with the minimum regulatory I capital requirements only on an unconsolidated basis as of 31 March and 30 September of each fiscal year. For the purposes of these Terms and Conditions, no other report which the Bank of Italy may in the future require to be made will be taken into account.

The obligation to make payments shall not be reinstated until the Total Amount of Regulatory Capital net of amounts required to be paid in respect of interest and repayment of principal, both on an unconsolidated and consolidated basis, is equal to or more than the minimum aggregate credit risk (*rischio creditizio*) capital requirements under the then applicable Bank of Italy's Regulations.

- (3) If for any reason (including, but not limited to, merger or any other extraordinary transaction) Sanpaolo IMI, in accordance with any applicable laws and regulations, ceases to be a member of a banking group, all references in this Condition 3(c) to calculations based on consolidated figures of Sanpaolo IMI will automatically cease to apply and calculations made on an unconsolidated basis shall apply.

(iii) *Status of Tier III Subordinated Notes*

In the event of winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*, as described in Articles 80 to 94 of the Italian Banking Act) of Sanpaolo IMI, the payment obligations of Sanpaolo IMI under the Tier III Subordinated Notes and the relative Receipts and Coupons will rank in right of payment *pari passu* with the payment obligations of Sanpaolo IMI under the Lower Tier II Subordinated Notes (which will be satisfied together and *pro rata* with the payment obligations under the Tier III Subordinated Notes, without any preference or priority) and senior to the payment obligations of Sanpaolo IMI under any Series of Upper Tier II Subordinated Notes.

4. Interest

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount specified in the applicable Final Terms.

If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

“*Day Count Fraction*” means, in respect of the calculation of an amount of interest in accordance with this Condition 4(a):

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

- (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year;
- (ii) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Terms and Conditions:

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

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

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

(i) *Interest Payment Dates*

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

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

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

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

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

which falls the Specified Period after the preceding applicable Interest Payment Date; or

- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

“*Business Day*” means a day which is both:

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

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

(ii) *Rate of Interest*

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

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as specified in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), “*ISDA Rate*” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2000 ISDA Definitions (as amended and updated as at the Issue Date of the first Tranche of the Notes, published by the International Swaps and Derivatives Association, Inc. (the “*ISDA Definitions*”)) and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is a period specified in the applicable Final Terms; and

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

For the purposes of this sub-paragraph (A): (i) “Floating Rate”, “Calculation Agent”, “Floating Rate Option”, “Designated Maturity” and “Reset Date” have the meanings given to those terms in the ISDA Definitions; and (ii) Euro-zone means the region comprised of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

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

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

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary, in the case of LIBOR, to the fifth decimal place, with 0.000005 being rounded upwards or, in case of EURIBOR, to the third decimal place, with 0.0005 being rounded upwards) of the offered quotation;

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as specified in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

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

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

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

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

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

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

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

The Agent will calculate the amount of interest (the “*Interest Amount*”) payable on the Floating Rate Notes or Index Linked Interest Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

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

- (A) if “*Actual/365*” or “*Actual/Actual*” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (B) if “*Actual/365 (Fixed)*” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (C) if “*Actual/360*” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (D) if “*30/360*”, “*360/360*” or “*Bond Basis*” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest 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));
- (E) if “*30E/360*” or “*Eurobond Basis*” is specified in the applicable Final Terms, the number of days in the Interest 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 Interest Period unless, in the case of an Interest Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); and
- (F) if “*Sterling/FRN*” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366.

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

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the relevant Issuer, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI), the Trustee and any stock exchange or other relevant authority on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed or by which they have been admitted to listing and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth London Business Day (as defined below) thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange or other relevant authority on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed or by which they have been admitted to listing and to the Noteholders in accordance with Condition 15.

“*London Business Day*” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

(vi) *Determination or calculation by Trustee*

If for any reason at any time the Agent or, as the case may be, the Calculation Agent defaults in its obligations to determine the Rate of Interest or the Agent defaults in its obligation to calculate any Interest Amount in accordance with sub-paragraph (ii)(A) or (B) above or as otherwise specified in the applicable Final Terms, as the case may be, and, in each case, (iv) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent or the Calculation Agent, as applicable.

(vii) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b), whether by the Agent or, if applicable, the Calculation Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the relevant Issuer, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI), the Trustee, the Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the relevant Issuer, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI), the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or the Calculation Agent or the Trustee (as applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Interest on Dual Currency Notes*

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

(d) *Interest on Partly Paid Notes*

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

(e) *Accrual of interest*

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

5. Payments

(a) *Method of payment*

Subject as provided below:

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

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7.

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

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

Payments of instalments of principal (if any) in respect of definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the relevant

Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive form (other than Dual Currency Notes or Index Linked Notes) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

Upon the date on which any Floating Rate Note, Dual Currency Note or Index Linked Interest Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

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

(c) *Payments in respect of Global Notes*

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

(d) *General provisions applicable to payments*

The holder of a Global Note (or as provided in the Trust Deed, the Trustee) shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the relevant Issuer or, as the case may be, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) will be discharged by payment to, or to the order of, the holder of such Global Note or the Trustee, as the case may be, in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the relevant Issuer or, as the case may be, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) to, or to the order of, the holder of such Global Note or the Trustee, as the case may be.

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

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

(e) *Payment Day*

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, “*Payment Day*” means any day which (subject to Condition 8) is:

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

(f) *Interpretation of principal and interest*

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

- (i) any additional amounts which may be payable with respect to principal under Condition 7 or under any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6(e)); and

- (vii) any premium and any other amounts which may be payable by the relevant Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 or under any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Any reference in these Terms and Conditions to payment of any sums in respect of the Notes (including, in respect of Index Linked Notes, Physically-Settled Notes (as defined in Condition 6(k)) and other structured Notes) shall be deemed to include, as applicable, delivery of any relevant Reference Asset (as defined in Condition 6(k)) if so provided in the applicable Final Terms and references to paid and payable shall be construed accordingly.

6. Redemption and Purchase

(a) Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the relevant Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

The redemption of Upper Tier II Subordinated Notes shall always be subject to the prior approval of the Bank of Italy, such approval being dependent on Sanpaolo IMI maintaining its minimum capital requirements (*patrimonio di vigilanza*) as prescribed in Title IV, Chapter 1, Section II 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 Maturity Date, Sanpaolo IMI 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. Sanpaolo IMI will use its best endeavours to maintain such required minimum capital and to obtain such approval. Amounts that would otherwise be payable on the Maturity Date will continue to bear interest as provided in the Trust Deed.

(b) Redemption for tax reasons

The Notes may be redeemed at the option of the relevant Issuer (but subject to the prior approval of the Bank of Italy in the case of Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes and Tier III Subordinated Notes) in whole, but not in part, at any time (if this Note is not a Floating Rate Note or an Index Linked Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Trustee, the Agent and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), if the relevant Issuer satisfies the Trustee immediately prior to the giving of such notice that:

- (i) on the occasion of the next payment due under the Notes, the relevant Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) would be unable for reasons outside its control to procure payment by the relevant Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7) or any political subdivision of, or any authority in, or of, a Tax Jurisdiction having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

- (ii) such obligation cannot be avoided by the relevant Issuer or, as the case may be, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) taking reasonable measures available to it,

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

Prior to the publication of any notice of redemption pursuant to this Condition, the relevant Issuer or, as the case may be, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) shall deliver to the Trustee: (x) a certificate signed by two Directors of the relevant Issuer or, as the case may be, two Directors of the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) stating that the relevant requirement referred to in Condition 7(b)(i) above will apply on the occasion of the next payment due in respect of the Notes and cannot be avoided by the relevant Issuer or, as the case may be, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) taking reasonable measures available to it; and (y) an opinion of independent legal advisers of recognised standing to the effect that the relevant Issuer or, as the case may be, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 6(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

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

If Issuer Call is specified in the applicable Final Terms, the relevant Issuer may (subject to the prior approval of the Bank of Italy in the case of Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes and Tier III Subordinated Notes), having given:

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

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount equal to the Minimum Redemption Amount or a Higher Redemption Amount. In the case of a partial redemption of Notes, the Notes to be redeemed ("*Redeemed Notes*") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "*Selection Date*"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the

aggregate nominal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the relevant Issuer to the Noteholders in accordance with Condition 15 at least five days prior to the Selection Date.

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

This Condition 6(d) applies only to Senior Notes.

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the relevant Issuer in accordance with Condition 15 not less than 15 nor more than 30 days' notice the relevant Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

If this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must deliver such Note at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "*Put Notice*") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depository for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

(e) *Early Redemption Amounts*

For the purpose of paragraph (b) above and Condition 9, each Note will be redeemed at the Early Redemption Amount calculated as follows:

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

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

where

“*RP*” means the Reference Price;

“*AY*” means the Accrual Yield expressed as a decimal; and

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

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

(f) *Instalments*

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

(g) *Partly Paid Notes*

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

(h) *Purchases*

Subject as provided in the following paragraph, the relevant Issuer, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) or any Subsidiary (as defined in the Trust Deed) of the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike. Such Notes may be held, reissued, resold or, at the option of the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI), as applicable, surrendered to any Paying Agent for cancellation.

Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes and Tier III Subordinated Notes may only be purchased by Sanpaolo IMI or any of its Subsidiaries subject to the prior approval of the Bank of Italy, unless the Notes to be purchased (i) do not exceed 10 per cent. of the aggregate nominal amount of the Series and (ii) are not purchased in order to be surrendered to any Paying Agent for cancellation.

(i) *Cancellation*

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

(j) *Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and repayable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) the fifth day after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 15.

(k) *Index Linked Notes or other structured Notes*

Index Linked or other structured Notes, including where the amount of principal and/or interest in respect of such Notes is based on the price, value, performance or some other factor relating to an asset or other property (“*Reference Asset*”), may be redeemed by the Issuer at its option by physical delivery of all or part of the Reference Asset or of some other asset or property (“*Physically-Settled Notes*”), in accordance with the provisions of the applicable Final Terms.

7. Taxation

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the relevant Issuer or, as the case may be, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction, except that:

- (i) in respect of payments by Sanpaolo IMI or any other company resident in Italy for tax purposes no such additional amounts shall be payable with respect to any Note, Receipt or Coupon for or on account of *imposta sostitutiva* (at the then applicable rate of tax) pursuant to Italian Legislative Decree No. 239 of 1 April 1996 (as amended or supplemented from time to time) or any related implementing regulations and in all circumstances in which the procedures set forth in Legislative Decree No. 239 of 1 April 1996 in order to benefit from a tax exemption have not been met or complied with except where such requirements and procedures have not been met or complied with due to the actions or omissions of Sanpaolo IMI or its agents; and
- (ii) no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:
 - (A) presented for payment by, or on behalf of, a holder who is liable for such withholding or deduction in respect of such Note, Receipt or Coupon by reason of his having some connection with the Tax Jurisdiction other than the mere holding of such Note; or
 - (B) presented for payment by, or on behalf of, a holder who is entitled to avoid such withholding or deduction in respect of such Note, Receipt or Coupon by making a declaration or any other statement, including, but not limited to, a declaration of residence or non-residence or other similar claim for exemption; or
 - (C) presented for payment more than 30 days after the Relevant Date (as defined in Condition 8) except to the extent that the holder of such Notes, Receipts or Coupons would have been entitled to such additional amounts on presenting such Notes, Receipts or Coupons for payment on such thirtieth day (assuming such day to have been a Payment Day as defined in Condition 5(e)); or

- (D) in the case of Notes issued by Sanpaolo IMI or by an Issuer other than Sanpaolo IMI presented for payment in Italy; or
- (E) in the case of Notes issued by Sanpaolo IMI Bank presented for payment in Portugal, including Madeira; or
- (F) in the case of Notes issued by Sanpaolo IMI Bank Ireland presented for payment in Ireland; or
- (G) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (H) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

“*Tax Jurisdiction*” means Portugal (including Madeira), Ireland, Italy or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the relevant Issuer or, as the case may be, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) becomes subject in respect of payments made by it of principal and interest on the Notes, Receipts and Coupons.

Without prejudice to the above provisions of this Condition 7, in the event that Notes are redeemed prior to the end of the eighteenth month after the Issue Date of the relevant Tranche, (x) the payer (where such payer is an Italian resident), or (y) an Italian resident Noteholder (where the payer is a non-Italian resident), will be required to pay an amount equal to 20 per cent. of the interest and any other amounts accrued up to the date of redemption to the Italian tax authorities. The payment under (x) above will be made by the relevant Issuer or, as the case may be, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) and will not affect the amounts to be received by the Noteholders by way of interest or other amounts, if any, under the Notes.

8. Prescription

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

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5(b) or any Talon which would be void pursuant to Condition 5(b).

“*Relevant Date*” means the date on which a payment in respect of the Notes first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect has been duly given to the Noteholders in accordance with Condition 15.

9. Events of Default

(a) Events of Default relating to Senior Notes

The Trustee at its discretion may, and if so requested by the holders of at least one-quarter in nominal amount of the Senior Notes then outstanding or if so directed by an extraordinary resolution of the holders of the Senior Notes shall (subject in either case to being indemnified to its satisfaction), give notice to the relevant Issuer and the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) that the Senior Notes are, and

they shall accordingly thereupon immediately become, due and repayable, if any of the following events (each an “*Event of Default*”) occurs:

- (i) default for a period of more than five Business Days (as defined in Condition 4(b)(i)) in the payment of any principal or interest due in respect of any Senior Note; or
- (ii) default in the performance by the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) of any of their respective obligations (other than the obligation to pay principal or interest in respect of the Senior Notes) under the Trust Deed or the Senior Notes (A) which is, in the opinion of the Trustee, incapable of remedy or in respect of which, in the opinion of the Trustee, remedial action satisfactory to the Trustee cannot be taken or (B) which, being a default which is, in the opinion of the Trustee, capable of remedy or in respect of which, in the opinion of the Trustee, such remedial action can be taken, continues for 30 days (or such longer period as the Trustee may permit) after the Trustee has given written notice to the relevant Issuer or, as the case may be, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) requiring such default to be remedied; or
- (iii) default by the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI):
 - (a) in the payment of the principal of, or premium or repayment charge (if any) or interest on, any Indebtedness for Borrowed Money of or assumed by the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI), as the case may be, when and as the same becomes due and payable, if such default continues for more than the period of grace, if any, originally applicable thereto; or
 - (b) in the event that any Indebtedness for Borrowed Money of or assumed by the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) becomes repayable before the due date thereof as a result of acceleration of maturity caused by the occurrence of an event of default thereunder; or
 - (c) any default in payment in respect of any guarantee or indemnity given by the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) in respect of any Indebtedness for Borrowed Money;

provided that the amount of any Indebtedness for Borrowed Money referred to in sub paragraph (a) and/or sub paragraph (b) above and/or the amount payable under any Guarantee referred to in sub paragraph (c) above individually or in the aggregate exceeds Euro 50,000,000 (or its equivalent in any other currency or currencies) without counting any amount more than once in respect of the same debt;

For this purpose “*Indebtedness for Borrowed Money*” means any present or future loan or other indebtedness (whether being principal, premium, interest or other amount) for or in respect of: (i) money borrowed; (ii) liabilities under or in respect of any acceptance or acceptance credit; or (iii) bonds, notes, debenture stock, loan stock or other securities offered, issued or distributed whether by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash; or

- (iv) the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) stops or suspends or threatens to stop or suspend payment of all or a material part of its debts or ceases to carry on its business or a material part thereof; or
- (v) dissolution or winding-up of the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI); or

- (vi) the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) makes a conveyance or assignment for the benefit of, or enters into a composition or other arrangement with, its creditors generally, files a petition for a suspension of payments, admits in writing that it cannot pay its debts generally as they become due, initiates a proceeding in bankruptcy, insolvency or other similar laws, is adjudicated bankrupt or insolvent, a receiver or similar official is appointed in relation to, or over the whole or any part of the assets or, undertaking of, the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI), proceedings are initiated against the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, an encumbrancer takes possession of the whole or any part of the assets or undertaking of the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) or a distress or execution or other process is levied or enforced upon or sued out against the whole or any material part of the assets of the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI); or
- (vii) the Guarantee is not, ceases to be, or is claimed by the Guarantor not to be, in full force and effect;

and, in the case of any Event of Default other than those described in any of paragraphs (i), (v) and (vii) above, the Trustee has certified to the relevant Issuer and the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) that such Event of Default is, in its opinion, materially prejudicial to the interests of the holders of the Senior Notes.

If the Senior Notes become due and repayable pursuant to this Condition 9(a), they shall be repayable at their Early Redemption Amount (as described in Condition 6(e)), together, if appropriate, with accrued interest as provided in the Trust Deed.

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

The Trustee at its discretion may, and if so requested by the holders of at least one-quarter in nominal amount of the Subordinated Notes then outstanding or if so directed by an Extraordinary Resolution of the holders of the Subordinated Notes shall (subject in either case to being indemnified to its satisfaction), give notice to Sanpaolo IMI that the Subordinated Notes are, and they shall accordingly thereupon immediately become, due and repayable, in the event of the winding up or liquidation of Sanpaolo IMI other than for the purposes of an Approved Reorganisation.

For the purpose of this Condition 9(b), “*Approved Reorganisation*” means an amalgamation, merger or reconstruction on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the holders of the Subordinated Notes.

If the Subordinated Notes become due and repayable pursuant to this Condition 9(b), they shall be repayable at their Early Redemption Amount (as described in Condition 6(e)), together, if appropriate, with accrued interest as provided in the Trust Deed.

No remedy against Sanpaolo IMI other than as specifically provided by this Condition 9(b), Condition 10 or the Trust Deed shall be available to the Trustee or to the holders of the Subordinated Notes and the relative Receipts or Coupons, whether for the recovery of amounts owing under the Trust Deed, in respect of the Subordinated Notes and the relative Receipts or Coupons or in respect of any breach by Sanpaolo IMI of any of its obligations under the Trust Deed, the Subordinated Notes and the relative Receipts or Coupons or otherwise.

10. Enforcement

The Trustee may, at its discretion and without further notice, take such proceedings against the relevant Issuer and/or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) as it may think fit to enforce

the obligations of the relevant Issuer and/or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) under the Trust Deed and the Notes and any relative Receipts or Coupons, but it shall not be bound to take any such proceedings or any other action unless (x) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by holders of at least one-quarter in nominal amount of the Notes outstanding and (y) it shall have been indemnified to its satisfaction. No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the relevant Issuer or, as the case may be, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure is continuing.

11. Substitution

The Trustee may, without the consent of the Noteholders, Receiptholders or Couponholders, agree with the relevant Issuer and the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) to the substitution (i) in place of the relevant Issuer (where the relevant Issuer is other than Sanpaolo IMI) (or of any previous substitute) as the principal debtor under the Notes, the Receipts, the Coupons and the Trust Deed, of Sanpaolo IMI or its Successor in Business (as defined in the Trust Deed) or any other Subsidiary (whether or not an Issuer) of Sanpaolo IMI or of its Successor in Business, or (ii) in place of Sanpaolo IMI (or of any previous substitute) as either the principal debtor or guarantor under the Notes, the Receipts, the Coupons and the Trust Deed of its Successor in Business, subject (in the case of the substitution of another Subsidiary of Sanpaolo IMI or of its Successor in Business in place of the relevant Issuer) to the Notes, the Receipts and the Coupons being unconditionally and irrevocably guaranteed by Sanpaolo IMI or its Successor in Business and (in every case) to the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced thereby and certain other conditions set out in the Trust Deed being complied with.

12. Replacement of Notes, Receipts, Coupons and Talons

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

13. Paying Agents

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

The relevant Issuer and the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) are entitled, subject to the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (i) there will at all times be an Agent;
- (ii) the Issuer and the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (iii) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and

- (iv) there will at all times be a Paying Agent in a jurisdiction within continental Europe other than the jurisdiction in which the Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) is incorporated.

In addition, the relevant Issuer and the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) shall forthwith appoint a Paying Agent approved by the Trustee having a specified office in New York City in the circumstances described in Condition 5(d). Any such variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 15.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the relevant Issuer and the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) and, in certain circumstances set out therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

14. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8.

15. Notices

All notices regarding the Notes will be deemed to be validly given if published (i) in a leading English language daily newspaper of general circulation in London and (ii) if and for so long as the Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, a daily newspaper of general circulation in Ireland. It is expected that such publication will be made in the *Financial Times* in London and the *Irish Times* in the Republic of Ireland. The relevant Issuer and the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to listing. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve. Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

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

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

16. Meetings of Noteholders, Modification and Waiver

(a) Meetings

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the relevant Issuer, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) or the Trustee or by Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

(b) Modification, Waiver and Authorisation

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any of the provisions of the Trust Deed or the Agency Agreement which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Trustee, proven. The Trustee may also, without any consent as aforesaid, determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such which, in any such case, is not in the opinion of the Trustee, materially prejudicial to the interests of Noteholders. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders, the Receiptholders and the Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable in accordance with Condition 15. If all the holders of any class of Notes so agree in writing (by way of written resolution or otherwise) the Issuer may amend the Terms of such Notes by issuing amended Final Terms or by such other means as the Issuer and such holders may from time to time agree.

(c) Exercise by Trustee of its discretions

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for

individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the Jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 7 and/or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

17. Further Issues

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

18. Indemnification of Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from any obligation to take proceedings to enforce repayment unless indemnified to its satisfaction. The Trustee may enter into business transactions with the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) or any person or body corporate associated with the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) without accounting for any profit made or benefit received.

19. Governing Law and Submission to Jurisdiction

(a) Governing law

The Trust Deed, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law, except for the Notes issued under Condition 3 which is governed by, and shall be construed in accordance with, Italian law.

(b) Submission to Jurisdiction

Each of the relevant Issuer and the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) has in the Trust Deed irrevocably and unconditionally agreed, for the exclusive benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have Jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons and that accordingly any suit, action or proceedings (together referred to as “*Proceedings*”) arising out of or in connection with the Trust Deed, the Notes, the Receipts and the Coupons may be brought in such courts.

Each of the relevant Issuer and the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) has in the Trust Deed irrevocably and unconditionally waived any objection which it may have now or hereafter to the laying of the venue of any Proceedings in any English court and any claim that any such Proceedings have been brought in an inconvenient forum and has further irrevocably and unconditionally agreed that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other Jurisdiction.

Nothing contained in this Condition shall limit any right to take Proceedings against the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) in any other court of competent

Jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other Jurisdiction, whether concurrently or not.

(c) *Appointment of Process Agent*

Each of Sanpaolo IMI, Sanpaolo IMI Bank and Sanpaolo IMI Bank Ireland has in the Trust Deed appointed the London Branch of Sanpaolo IMI at its office for the time being in London, as its agent for service of process, and undertakes that, in the event of the London Branch of Sanpaolo IMI ceasing so to act or in the event of Sanpaolo IMI ceasing to have a London Branch, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

20. Contracts (Rights of Third Parties) Act 1999

The Notes confer no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the relevant Issuer for the general corporate purposes of the Group (as defined on page 69). If in respect of any particular Tranche, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

DESCRIPTION OF SANPAOLO IMI

Introduction

SANPAOLO IMI is incorporated as a company having a share capital (*Società per Azioni* or *S.p.A.*) under the laws of Italy. SANPAOLO IMI was created on 1 November 1998 by the merger (the “*Merger*”) of Istituto Bancario San Paolo di Torino S.p.A. (“*Sanpaolo*”) and Istituto Mobiliare Italiano S.p.A. (“*IMI*”). SANPAOLO IMI is the legal successor of both Sanpaolo and IMI. Pursuant to Article 2504 *bis* of the Italian Civil Code, all rights to which Sanpaolo and IMI were previously entitled and all obligations and liabilities previously incurred by Sanpaolo and IMI have automatically passed to SANPAOLO IMI. In 2000, SANPAOLO IMI acquired control of the Banco di Napoli group which is now included within the SANPAOLO IMI banking group.

In 2001, certain shareholders of SANPAOLO IMI and certain shareholders of Cardine S.p.A (Compagnia di San Paolo, in respect of SANPAOLO IMI, and Fondazione di Cassa di Risparmio di Padova e Rovigo and Fondazione di Cassa di Risparmio in Bologna, in respect of Cardine (together collectively referred to as the “*Fondazioni*”)) presented to the Bank of Italy a project for the integration of the groups headed by SANPAOLO IMI and Cardine. The extraordinary shareholders’ meetings of SANPAOLO IMI and Cardine approved this project in March 2002 and the merger agreement was made formally on 24 May 2002 with legal effect from 1 June 2002 and accounting and tax effect from 1 January 2002.

SANPAOLO IMI is registered with the company register of the Chamber of Commerce of Turin under number 06210280019 and with the Bank of Italy as a bank and, together with its subsidiaries, as a banking group (the “*Group*”). SANPAOLO IMI is the reporting bank (capogruppo) of the Group for regulatory purposes and, as capogruppo, is responsible for monitoring the Group’s activities and maintaining reporting and relationship activities with the Bank of Italy. SANPAOLO IMI’s registered office is located at Piazza San Carlo no. 156, Turin (Italy), telephone number: + 39 011 5551 and its secondary offices are at Viale dell’Arte no. 25, Rome (Italy) telephone number: + 39 06 59591, and Via Farini no. 22, Bologna (Italy) telephone number: + 39 051 64541.

Principal Activities

SANPAOLO IMI’s principal activities are in traditional banking and related financial services. General commercial banking is provided through the branch networks of the former Sanpaolo and its recent acquisitions: Sanpaolo Banco di Napoli (formerly Banco di Napoli), Cassa di Risparmio di Padova e Rovigo, Cassa di Risparmio in Bologna, Cassa di Risparmio di Venezia, Friulcassa and Banca Popolare dell’Adriatico (formerly Cardine). Corporate and investment banking services are provided by Banca IMI while Banca OPI offers infrastructure financing for public authorities and public/private initiatives. In addition, the Group provides a range of services in asset management (Sanpaolo IMI Asset Management), Personal Financial Services (Banca Fideuram) and life assurance (Assicurazioni Internazionali di Previdenza). SANPAOLO IMI also has crossshareholdings and business relationships with some smaller banks in Italy and major banks abroad including Santander Central Hispano (Spain) and Ixis (France).

Any statements made in this registration document concerning the competitive position of SANPAOLO IMI are derived from official or industry sources. In particular the Group’s market share in traditional banking activities (loans 9.9 per cent., deposits 10.3 per cent.) and in mutual funds (19.3 per cent.) come from, respectively, the Bank of Italy and Assogestioni.

History and Development

The origins of the modern banking group that now constitutes SANPAOLO IMI date back to the sixteenth century. Sanpaolo was established in Turin in 1563 as a charitable foundation under the name “*Compagnia della Fede Cattolica sotto l’Invocazione di San Paolo*” with both charitable and banking activities. Sanpaolo became

a public law credit institution (*istituto di credito di diritto pubblico*) in 1932. The origins of Banco di Napoli also date back to the sixteenth century and, particularly, to the foundation of the Sacro Monte di Pietà in 1539. IMI was established as a public law entity (*ente di diritto pubblico*) in 1931. Until the beginning of the 1990s, the main focus of IMI's activities was medium and long term lending, including lending for public works. Sanpaolo's main activities were directed at short term commercial banking, together with mortgage and industrial lending, in its home base of north west Italy. As one of the largest banks in southern Italy, Banco di Napoli played a major role in the economic development of that part of the country whilst the constituent banks of the Cardine group were instrumental in the growth of north-eastern Italy.

Sanpaolo was established as a *Società per Azioni* as of 31 December 1991, under the name "*Istituto Bancario San Paolo di Torino Società per Azioni*". In 1992, approximately 21 percent. of Sanpaolo's share capital was floated in Italy and the shares were admitted to trading on The Stock Exchange Automated Quotation International Systems of the London Stock Exchange Limited ("*SEAQ International*"). The charitable foundation, Compagnia di San Paolo, indirectly remained majority shareholder until 1997, when ten shareholders purchased 22 per cent. of Sanpaolo's share capital and a further 31 percent. was sold in an Italian public offering and a global institutional offering.

IMI became a *Società per Azioni* in 1991. There was no public market for IMI's shares prior to 1994. In that year, as part of the government's direct privatisation campaign, the Treasury and several other shareholders in IMI took part in a global offering of more than one third of IMI's share capital. In connection with that offering, IMI's shares were listed on the Italian Stock Exchange and its American Depository Shares ("*ADSs*") (each ADS representing three shares) were listed on the New York Stock Exchange, and shares were also listed on SEAQ International. In 1995, shares in IMI held by the Italian Treasury were privately placed with Italian and European financial institutions and private industrial companies. In July 1996, IMI lead managed the third offering of its own shares by the Treasury, to institutional investors in Italy, Europe and the USA.

Sanpaolo and IMI merged on 1 November 1998. For accounting and tax purposes, the Merger was treated as effective from 1 January 1998. SANPAOLO IMI's shares and ADSs (each ADS representing two shares) are listed on the *Mercato Telematico Azionario* in Italy and the New York Stock Exchange, respectively. The ADS depository is JP Morgan Chase.

Shareholders

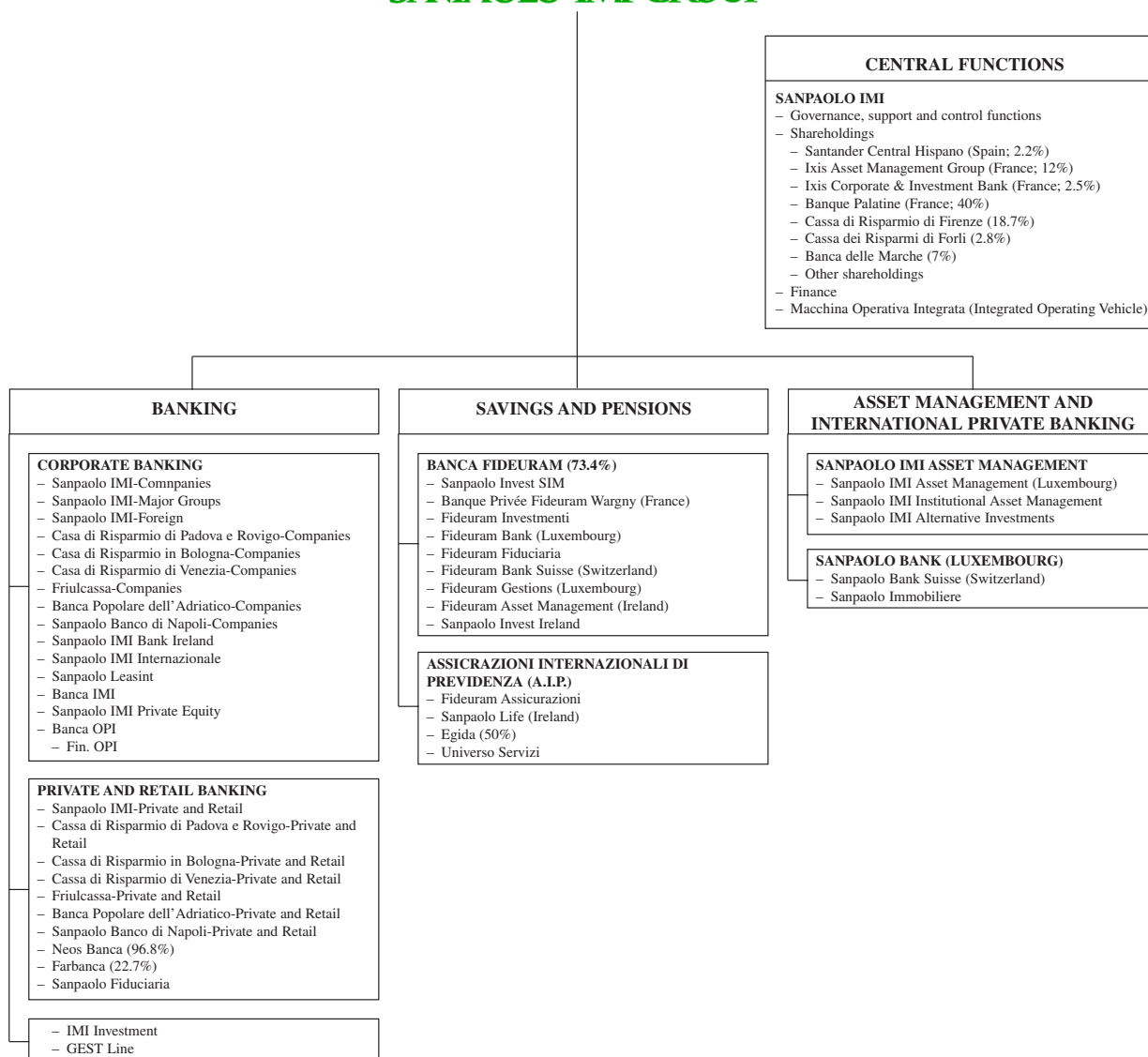
The principal shareholders of SANPAOLO IMI, on the basis of information available at the date of this Information Memorandum, are:

	<i>Percentage equity shareholdings (total and ordinary shares)</i>	
Compagnia di San Paolo	14.23%	7.33%
Fondazione C.R. Padova e Rovigo	10.61%	4.29%
Banco Santander Central Hispano	8.45%	10.66%
Fondazione C.R. in Bologna	7.55%	3.05%
Giovanni Agnelli & C. S.a.p.a.	4.98%	6.28%
Assicurazioni Generali	2.00%	2.53%
Banca Monte dei Paschi di Siena	1.51%	1.90%
Società Reale Mutua Di Assicurazioni	1.51%	1.90%
Groupe Caisse d'Epargne	1.50%	1.90%
Ente Cassa di Risparmio di Firenze	1.50%	1.89%
Fondazione Cassa di Risparmio di Venezia	1.47%	1.86%
Fondazione C.R. Verona Vicenza Belluno e Ancona	1.42%	1.79%
Deutsche Bank	1.40%	1.77%
Fondazione C.R. Udine e Pordenone	1.34%	1.79%
Fondazione Cariplo	1.18%	1.49%

Group Structure

The Group's structure set out below describes the principal interrelationships of the various businesses.

SANPAOLO IMI GROUP



<i>Name, Title and Business Address</i>	<i>Principal activities outside Sanpaolo IMI</i>	
	<i>Office</i>	<i>Company</i>
Anthony Orsatelli, Director <i>Piazza San Carlo 156, 10121 Turin, Italy</i>	Membre du Directoire Membre du Conseil de Surveillance Chairman Chairman Board Director Board Director Board Director	Caisse Nationale des Caisses d'Epargne S.A. Sogeposte S.A. Nexgen Financial Holding Limited Nexgen Re Limited CDC Ixis AM US Corporation Euroclear Plc. CDC Ixis Financial Guaranty North America Inc.
Emilio Ottolenghi, Director(*) <i>Piazza San Carlo 156, 10121 Turin, Italy</i>	Chairman Managing Director Board Director	Vis S.p.A. La Petrolifera Italo Rumena S.p.A. Argus Fund S.p.A.
Orazio Rossi, Deputy Chairman(*) <i>Piazza San Carlo 156, 10121 Turin, Italy</i>	Chairman Chairman	Cassa di Risparmio di Padova e Rovigo S.p.A. Sanpaolo Imi Internazionale S.p.A.
Gian Guido Sacchi Morsiani, Director(*) <i>Piazza San Carlo 156, 10121 Turin, Italy</i>	Chairman Chairman	Finemiro Banca S.p.A. Gest Line S.p.A.
Alfredo Saenz Abad, Director <i>Piazza San Carlo 156, 10121 Turin, Italy</i>	Vice Presidente Segundo Y Consejero Delegado Deputy Chairman Deputy Chairman Chairman Consejero	Banco Santander Central Hispano S.A. Santander Central Hispano Investment S.A. Compañia Española de Petróleos S.A. Banco Banif S.A. Operadores de Telecomunicaciones S.A.
Mario Sarcinelli, Director <i>Piazza San Carlo 156, 10121 Turin, Italy</i>	Board Director Board Director Board Director	Ina Vita S.p.A. Cassa Depositi e Prestiti S.p.A. Data Management S.p.A.
Leone Sibani, Director <i>Piazza San Carlo 156, 10121 Turin, Italy</i>	Chairman Board Director Board Director Board Director	Sanpaolo IMI Private Equity S.p.A. Sanpaolo IMI Internazionale S.p.A. Banca Popolare dell'Adriatico S.p.A. Biesse S.p.A.
Alberto Tazzetti, Director <i>Piazza San Carlo 156, 10121 Turin, Italy</i>	Chairman Board Director	Sicurezza Lavoro S.r.l. Centrale del Latte di Torino & Co. S.p.A.
Josè Manuel Varela, Director(*) <i>Piazza San Carlo 156, 10121 Turin, Italy</i>	Board Director Board Director Board Director Board Director Board Director Board Director	Santander Consumer Finance S.A. CC-Credit Hungria R.T. PTF Bank S.A. Banque Commerciale du Maroc S.A. CC-Bank AG Elcon Finans

* Members of the Executive Committee

Board of Statutory Auditors

The Board of Statutory Auditors is responsible for overseeing the organisation of SANPAOLO IMI. A list of its current members is set out below:

<i>Name</i>	<i>Title</i>
Maurizio Dallochio	Chairman
Aureliano Benedetti	Auditor
Gianluca Ferrero	Auditor
Augusto Franchini	Auditor
Paolo Mazzi	Auditor
Carlo Pavesio	Supplementary Auditor
Paolo Piccati	Supplementary Auditor

Employees

SANPAOLO IMI's employees at 30 June 2005, were 43,268.

Financial Results for the Year End 2004

The Board of Directors approved on 22 March 2005 the results of the Group to 31 December 2004. The Group results showed a positive development in principal operating items against the same period to December 2003.

In 2004 the Group improved its net interest and other banking income to 7,592 million euro (+1.6%), mainly due to the growth in net commissions (+6.7%), profits from companies carried at equity and dividends from shareholdings (+30%). Operating income was 2,890 million euro (+6.9%) benefiting from revenue growth and significant operating cost containment measures taken by the Group during this period. Ordinary income was 1,953 million euro (+15.8%). The quality of the loan portfolio remained high, thanks to rigorous criteria applied in lending and prudential provisioning policies extended to all the banking networks, as demonstrated by the total of net doubtful loans, slightly down on an annual basis (-0.2%) and the net non-performing loans/net loans ratio which remained stable (1%). Net income was 1,393 million euro (+43.3%). Return on equity reached 12.2% against 9% in 2003.

Net interest income in 2004 was 3,569 million euro (-4%). Average interest earning assets of the Group increased (+0.5%) on the previous year due to the expansion of the securities portfolio. Interest bearing liabilities were relatively unchanged from the prior year.

Net loans to customers at the end of December 2004 amounted to 119.9 billion euro (-2%). This reduction resulted from the increase in medium and long-term loans (+3.2%), being insufficient to balance a reduction in short-term financings (-11.8%). The increase in medium and long-term loans reflected the strong performance in loans to the retail sector where property loans through the domestic banking network reached 4 billion euro (+4.9%) and total loans for public works and infrastructure by Banca OPI at the end of December reached 18.8 billion euro. Direct deposits amounted to 135.2 billion euro (+2.6%).

At the end of 2004 the Group's domestic market share of the loan market was 10% and its domestic market share of direct deposits was 9.9%.

Group net commissions amounted to 3,240 million euro (+6.7%). Commission income benefited from the rebound in financial markets and positive growth in life policies. Revenues were driven by management, trading and consultancy (+7.2%), and strong performance in asset management (+11.3%). Commissions from management, trading and consultancy represented some 60% of the total and were higher by 128 million euro compared to 2003. The strong performance reflected positive customer reaction to a product mix more directed

to equity funds and life policies. The Group also benefited from good results from its traditional banking areas, such as financings and guarantees (+18.5%) and deposits and current accounts (+8.8%). The commission flow in the fourth quarter was 844 million euro. This was the highest for any quarter in 2004. Indirect deposits amounted to 242.2 billion euro (+2.5%). The positive movement in asset management revenues (+0.5%) was due to net inflows from the distribution networks in insurance, and from the revaluation of total assets under management, which compensated for the disinvestments from mutual funds. The Group continues to hold the top position in Italy in mutual funds, with a domestic market share of 20.1% at the end of December 2004.

During 2004 the Group improved its range of life products which represented one of the forms of traditional investment product preferred by customers. The net flow from the distribution networks in 2004 in relation to life products was 5.5 billion euro and took life technical reserves to 40.4 billion euro.

At the end of December 2004 the stock of assets under management by the Group was 144.5 billion euro. Assets under administration amounted to 97.8 billion euro (+5.6%). In total, financial assets of customers at the end of December 2004 were 377.4 billion euro (+2.6%). Profits from financial transactions and dividends on shares were 432 million euro (-3.4%). Profits from companies carried at equity and dividends on shareholding were 351 million euro (+30%). This growth reflected an increase in income arising from holdings in insurance companies, where business has expanded significantly. In 2004 the Group rationalised its insurance business, amalgamating all the companies in Assicurazioni Internazionali di Previdenza (A.I.P.).

Administrative expenses were 4,565 million euro (-1%); personnel costs 2,803 million euro (-1.3%). This reflects cost containment measures and personnel optimisation through the “*Fondo di Solidarietà*” (Fondo di Solidarietà per il sostegno del reddito, dell’occupazione e della riconversione e riqualificazione professionale del Personale del Credito – (Banking Industry Personnel Restructuring Fund)). The Group also undertook rationalisation in its corporate centre and integration of the banking distribution networks. These actions led to a reduction in the number of Group employees (-2.8% in average terms) and lower costs (after taking into account ordinary changes in remuneration, including the increases in the renewal of the national labour contract (CCNL), which meant for 2004 an increase of 1.9%. Other administrative expenses were 1,510 million euro. IT expenses, approximately 28% of the total, were reduced by 2.6%, benefiting from the integration of the Group’s IT systems. The cost/income ratio in 2004 fell to 63.5%, representing an improvement of 1.8 percentage points on 2003.

Ordinary income reached 1,953 million euro (+15.8%), largely due to maintaining high asset quality which required lower provisions and net adjustments to loans and financial fixed assets. Goodwill adjustments, merger and adjustments differences were 199 million euro (+25.9%). This increase was largely due to a value adjustment of 40 million euro on the shareholding in Cassa dei Risparmi di Forlì. Provisions and net adjustments to loans and financial fixed assets amounted to 738 million euro (-14.1%). The net flow includes 231 million euro in respect of risk provisions and charges and 525 million euro for provisions and adjustments for credit risks (-27.5%), which in 2003 included a 90% provision for exposure to Parmalat (273 million euro) and a 100% provision for Cirio (10 million euro). Loan risk adjustments in 2004 also included cover for the FIAT convertible facility (14 million euro). The net flow includes 18 million euro in net writebacks in financial fixed assets (60 million net in 2003). The writeback for SCH of 122 million euro partially balanced the provision against the purchase of a stake in Cassa dei Risparmi di Forlì and adjustment made to Hutchison 3G Italia (61 million euro) and FIAT (5 million). In 2004 the total reserves on loans of the Group were 1,174 million euro, 1% of the performing portfolio (0.9% in 2003). Reserves include 167 million to cover the option connected to the FIAT convertible facility. Net non-performing loans were 1,161 million euro (-0.9%), while problem loans, restructured loans and loans in course of restructuring amounted to 1,361 million euro (+1%) and coverage ratios were respectively 74.9% and 30.9%.

Asset quality, notwithstanding difficult circumstances, remained high and Group credit risk indices were strong. The ratio of net non-performing loans to net loans to customers and of problem loans and loans in course of restructuring to net loans to customers were respectively 1% and 1.1%. It should be noted that from 2003 the

Group adopted risk management methodologies in line with Basle II. In 2004 the Group made substantial investments to refine and enhance its risk measurement and organisational and technological support.

Gross income was 2.1 billion euro (+26.9%), thanks to the growth in extraordinary net revenues, 148 million euro against 32 million in extraordinary net charges in 2003. This includes the capital gain of 55 million euro from the sale of the remaining 30% of Finconsumo to SCH and 61 million in capital gains from Group property rationalisation.

Net income was 1,393 million euro (+ 43.3%). The strong contribution of the Group's insurance companies helped the net result. The consolidated embedded value at the end of the year, net of minorities, was 2,433 million euro, up 283 million euro on end-2003 (recalculated pro forma for the reorganisation of the Group's activities). The added value for the year in this sector was 497 million euro and includes the change in embedded value, net dividends distributed during the year and net income associated with life business generated in Group companies other than A.I.P.

At the end of 2004 the Group's solvency ratios were 7.4% (Core tier 1 ratio), 8.1% (Tier 1 ratio) and 12% (Total risk ratio). At the end of 2004 the Group had a network of 3,205 branches, with a branch market share in Italy of 10.4%, 131 branches and representative offices abroad, 42,738 employees and 4,317 financial advisers.

Discussion of Results for the First Half of 2005

The Board of Directors approved on 28 September 2005 the results of the Sanpaolo IMI Group for the first half of 2005, prepared according to IAS/IFRS accounting principles.

Total operating income rose 3.8% to 4,021 million euro, with increases in all line items: net interest income rose to 1,908 million euro (+2%), net commissions to 1,613 million euro (+0.8%), insurance results to 182 million euro (+11%). Net interest and other banking income rose to 3,789 million euro (+9.6%), thanks to a reduction in value adjustments. Operating income was thus 1,415 million euro (+35.1%) and benefited from operating cost containment, as well as revenue growth. Loan portfolio quality remained high, thanks to strict criteria in loan disbursement and prudent provisioning, as demonstrated by the total of doubtful loans, down 4.9% from the beginning of the year. Net income was 894 million euro compared to 631 million in the preceding period (+41.7%): annualised Return on Equity was 14.7% compared to 11% in the first six months of 2004.

At the end of June 2005 the Group's solvency ratios, calculated in accordance with Bank of Italy regulations in force prior to IAS and in expectation of new regulations, were 7.2% (core tier 1 ratio), 7.9% (tier 1 ratio) and 11.6% (total risk ratio). At the end of June the Group's domestic market share was 9.9% in total loans and 10.3% in direct deposits.

The Group and Parent Bank Relazione Semestrale (Interim Report) for 2005 have been prepared in conformity with IAS/IFRS international accounting principles.

The results for 2004 will be the base for comparative data for the year to 31st December 2005. In this regard, certain data, subject to regulatory changes, may be slightly amended following approval of the half-year results and until approval of the 2005 financial statements, in line with regulatory provisions and professional suggestions from Assirevi (the Italian Auditing Standards Board) and the approach followed by peers in Italy and abroad.

The transition to IAS/IFRS shows at 1 January 2005 a positive impact on net consolidated shareholders' funds of 259 million euro (+271 for the banking Group alone, -12 in the insurance sector). There was virtually no impact on the loan portfolio, because Group valuations were already in line with IAS/IFRS, with the adoption, from 1998, of the criterion of net present value for doubtful loans. The positive impact was determined by various factors including: fair value of securities and derivatives (+146 million euro); update of property and

artistic assets against elimination of related provisions (+261 million euro); current value booking of liabilities (+ 110 million euro); as well as other residual factors (+ 46 million euro).

As a result of IAS/IFRS, and also taking account of estimates in terms of IAS 32 and 39 and IFRS 4, consolidated net income for the first half of 2004 moved from 691 million euro to 631 million euro, with a negative adjustment of 60 million euro.

This difference is essentially due to:

- (i) the negative impact of the reversal of write backs in the Italian GAAP statement of income in minority shareholdings (-92 million euro), recorded in IAS in the “*available for sale*” portfolio against shareholders’ funds reserves;
- (ii) the reversal of goodwill amortisation in the Italian GAAP statement of income (+59 million euro) given the IAS criterion, which does not provide for systematic amortisation;
- (iii) recognition of interest on provisions for risks and charges booked at current value (-16 million euro) and other changes.

Discussion of Results to 30 September 2005

The Board of Directors approved on 14 November 2005 the results of the Group to 30 September 2005, prepared according to the new international accounting principles of IAS/IFRS.

Total operating income rose by 9.5% to 6,261 million euro, with increases in all areas: net interest income rose to 2,879 million euro (+3%), net commissions to 2,542 million euro (+5.9%), insurance results to 302 million euro (+23.8%). Net interest and other banking income rose to 5,900 million euro (+13%), owing to a reduction in value adjustments. Current operating income was thus 2,348 million euro (+46.2%) and benefited from cost containment actions, as well as revenue growth.

Loan portfolio quality remained high, thanks to strict criteria in loan disbursement and prudent provisioning in all the commercial banks, as demonstrated by the total of doubtful loans, down 6.6% from the beginning of the year.

Net income, which benefited from the effects of the sale of the shareholding in Italenergia Bis (128 million euro), was thus 1,509 million euro compared to 964 million in the preceding period (+56.5%): annualised RoE reached 17.4% compared to 12.1% in the first nine months of 2004.

At the end of September 2005, the Group’s solvency ratios, calculated in accordance with Bank of Italy regulations in force prior to IAS and in expectation of new regulations, were 7.6% (tier 1 ratio) and 10.7% (total risk ratio).

FINANCIAL INFORMATION RELATING TO SANPAOLO IMI

The financial statements of Sanpaolo IMI as at and for the year ended 31 December 2004 set out below have been approved by the Board of Directors of Sanpaolo IMI on 22 March 2005 and subsequently by Sanpaolo IMI's Board of Statutory Auditors and audited by Sanpaolo IMI's auditors, PricewaterhouseCoopers S.p.A. They have been approved by Sanpaolo IMI's shareholders at a general meeting held on 29 April 2005. Such financial statements having been prepared in accordance with generally accepted accounting principles, industry practices and other relevant regulatory requirements applicable to the banking industry in Italy (Italian GAAP).

Sanpaolo IMI presents its financial statements (balance sheet and statement of income) in the classification format required by the Bank of Italy and these are independently audited according to law. The Reclassified financial statements present a more meaningful reflection of management's operating and financial review of the actual business.

RECLASSIFIED NON-CONSOLIDATED STATEMENT OF INCOME

	<i>Year ended 31 December,</i>			<i>percentage</i>
	<i>2004</i>	<i>2003</i>	<i>2003</i>	<i>change</i>
	<i>audited</i>	<i>audited</i>	<i>pro-forma</i>	<i>(2004–2003</i>
			<i>unaudited</i>	<i>pro-forma</i>
	<i>(in millions of Euro)</i>			<i>unaudited</i>
				<i>(%)</i>
NET INTEREST INCOME	1,412	1,849	1,525	-7.4
Net commissions and other dealing revenues	1,409	1,467	1,306	+7.9
Profits/(losses) on financial transactions and investment income	132	89	95	+38.9
Dividends on equity investments	766	832	842	-9.0
NET INTEREST AND OTHER BANKING INCOME	3,719	4,237	3,768	-1.3
Administrative costs	(2,431)	(2,723)	(2,495)	-2.6
personnel	(1,486)	(1,665)	(1,534)	-3.1
other administrative costs	(827)	(918)	(839)	-1.4
indirect taxes and similar dues	(118)	(140)	(122)	-3.3
Other operating income, net	483	375	469	+3.0
Adjustments to tangible and intangible fixed assets	(331)	(339)	(335)	-1.2
OPERATING INCOME	1,440	1,550	1,407	+2.3
Value adjustments on goodwill and merger differences	(72)	(115)	(72)	-
Provisions and net adjustments to loans and financial fixed assets	(353)	(579)	(552)	-36.1
INCOME BEFORE EXTRAORDINARY ITEMS	1,015	856	783	+29.6
Net extraordinary income	223	233	124	+79.8
INCOME BEFORE TAXES	1,238	1,089	907	+36.5
Changes in reserve for general banking risks	-	-	-	-
Income taxes	(202)	(265)	(151)	+33.8
DISTRIBUTABLE NET INCOME FOR THE YEAR	1,036	824	756	+37.0

The pro-forma statement of income for the year 2003 takes into account the transfers of branches from/to other Sanpaolo IMI Group entities and the merger by incorporation of Invesp SpA and Prospettive 2001 SpA.

RECLASSIFIED NON-CONSOLIDATED BALANCE SHEET

	Year ended 31 December,			percentage
	2004	2003	2003	change
	<i>audited</i>	<i>audited</i>	<i>pro-forma</i> <i>unaudited</i>	(2004–2003 <i>pro-forma</i> <i>unaudited</i>)
	(in millions of Euro)			(%)
ASSETS				
Cash and deposits with central banks and post offices	750	741	733	+2.3
Loans	92,143	91,368	88,573	+4.0
due from banks	34,939	27,385	27,381	+27.6
loans to customers	57,204	63,983	61,192	–6.5
Dealing securities	9,202	8,816	9,054	+1.6
Fixed assets	14,954	14,820	15,253	–2.0
investment securities	2,365	2,458	2,458	–3.8
equity investments	10,650	10,291	10,734	–0.8
intangible fixed assets	702	797	797	–11.9
tangible fixed assets	1,237	1,274	1,264	–2.1
Other assets	8,846	9,235	8,485	+4.3
Total Assets	125,895	124,980	122,098	+3.1
LIABILITIES AND SHAREHOLDERS' EQUITY				
Payables	98,789	97,470	95,130	+3.8
due to banks	37,029	37,800	36,566	+1.3
due to customers and securities ⁽¹⁾	61,760	59,670	58,564	+5.5
Reserves	2,033	2,490	2,014	+0.9
for taxation	381	660	202	+88.6
for employee termination indemnities	468	529	518	–9.7
for risks and charges	1,184	1,301	1,294	–8.5
for pensions and similar obligations	–	–	–	<i>n.s.</i>
Other liabilities	7,395	8,787	8,297	–10.9
Subordinated liabilities	6,588	5,887	5,887	+11.9
Shareholders' equity ⁽²⁾	11,090	10,346	10,770	+3.0
Total Liabilities and Shareholders' Equity	125,895	124,980	122,098	+3.1
GUARANTEES AND COMMITMENTS				
Guarantees given	28,333	29,298	29,298	–3.3
Commitments	14,190	14,057	14,057	+0.9

(1) In the reclassified table "Public funds administered", included in the official balance sheet equal to Euro 27 million in 2004 and to Euro 32 million in 2003, are included in the amounts due customers.

(2) In the reclassified table Sanpaolo IMI's own shares, equal to Euro 43 million in 2004 and to Euro 34 million in 2003, are shown as a reduction of net assets.

The pro-forma statement of income for the year 2003 takes into account the transfers of branches from/to other Sanpaolo IMI Group entities, the partial spin off in favor of Sanpaolo IMI of the stake held by Banca Fideuram in Fideuram Vita, the spin off in favor of Sanpaolo IMI of a portion of Sanpaolo IMI Wealth Management SpA and the merger by incorporation of Invesp SpA and Prospettive 2001 SpA.

CONSOLIDATED STATEMENT OF INCOME

	<i>Year ended 31 December,</i>	
	2004 <i>(audited)</i>	2003 <i>(audited)</i>
	<i>(in millions of Euro)</i>	
Interest Income and Similar Revenues	7,195	7,443
<i>Including on:</i>		
<i>loans to customers</i>	5,799	6,215
<i>debt securities</i>	926	727
Interest Expense and Similar Charges	(3,508)	(3,701)
<i>Including on:</i>		
<i>deposits from customers</i>	(937)	(1,050)
<i>debt securities</i>	(1,649)	(1,761)
Dividends and Other Revenues	152	309
<i>From shares, quotas and other equities</i>	79	223
<i>Front equity investments</i>	73	86
Commission Income	3,998	3,722
Commission Expense	(761)	(685)
Profits (Losses) on Financial Transactions	235	198
Other Operating Income	399	396
Administrative Costs:	(4,565)	(4,610)
Payroll	(2,803)	(2,841)
<i>Including: wages and salaries</i>	(2,033)	(2,046)
<i>social security charges</i>	(620)	(633)
<i>termination indemnities</i>	(120)	(132)
<i>pensions and similar commitments</i>	(30)	(30)
Other	(1,762)	(1,769)
Adjustments to Intangible and Tangible Fixed Assets	(656)	(642)
Provisions for Risks and Charges	(231)	(195)
Other Operating Expenses	(76)	(68)
Adjustments to Loans and Provisions for Guarantees and Commitments	(894)	(1,126)
Writebacks of Adjustments to Loans and Provisions for Guarantees and Commitments	386	417
Provisions to the Reserve for Possible Loan Losses	(17)	(15)
Adjustments to Financial Fixed Assets	(106)	(158)
Writebacks of Adjustments to Financial Fixed Assets	124	218
Income (Losses) from Investments carried at Equity	278	197
Income from Operating Activities	1,953	1,700
Extraordinary income	323	548
Extraordinary expenses	(175)	(580)
Extraordinary Items, Net	148	(32)
Changes in reserve for general banking risks	(2)	9
Income taxes	(658)	(657)
Minority interests	(48)	(48)
Net Income for the Year	(1,393)	972

CONSOLIDATED BALANCE SHEET

	<i>As at 31 December,</i>	
	<i>2004</i>	<i>2003</i>
	<i>(audited)</i>	<i>(audited)</i>
	<i>(in millions of Euro)</i>	
ASSETS		
Cash and deposits with central banks and post offices	1,348	1,474
Treasury bills and similar bills eligible for refinancing with central banks	2,553	3,923
Due from banks:	23,777	22,278
<i>repayable on demand</i>	<i>3,560</i>	<i>7,291</i>
<i>other deposits</i>	<i>20,217</i>	<i>14,987</i>
Loans to customers	121,907	124,599
<i>Including: loans using public funds</i>	<i>148</i>	<i>172</i>
Bonds and other debt securities:	23,716	18,588
<i>public entities</i>	<i>13,222</i>	<i>10,366</i>
<i>banks</i>	<i>5,978</i>	<i>5,536</i>
<i>Including: own bonds</i>	<i>2,635</i>	<i>2,783</i>
<i>financial institutions</i>	<i>3,789</i>	<i>2,116</i>
<i>Including: own bonds</i>	<i>97</i>	<i>53</i>
<i>other issuers</i>	<i>727</i>	<i>570</i>
Shares, quotas and other equities	3,021	2,747
Investments:	3,421	3,442
<i>carried at equity</i>	<i>597</i>	<i>645</i>
<i>other</i>	<i>2,824</i>	<i>2,797</i>
Investments in group companies:	1,082	1,130
<i>carried at equity</i>	<i>1,082</i>	<i>1,130</i>
Goodwill arising on consolidation	712	883
Goodwill arising on application of the equity method	57	76
Intangible fixed assets	289	343
<i>Including: start-up costs</i>	<i>1</i>	<i>2</i>
<i>goodwill</i>	<i>6</i>	<i>7</i>
Tangible fixed assets	1,804	1,972
Own shares (par value Euro 14 million)	54	34
Other assets	23,597	17,986
Accrued income and prepaid expenses:	3,819	3,105
<i>accrued income</i>	<i>2,730</i>	<i>2,223</i>
<i>prepaid expenses</i>	<i>1,089</i>	<i>882</i>
<i>Including: discounts on bond issues</i>	<i>245</i>	<i>277</i>
Total Assets	211,157	202,580

	<i>As at 31 December,</i>	
	<i>2004</i>	<i>2003</i>
	<i>(audited)</i>	<i>(audited)</i>
	<i>(in millions of Euro)</i>	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Due to banks:	28,198	28,534
<i>repayable on demand</i>	2,262	3,875
<i>time deposits or with notice period.</i>	25,936	24,659
Due to customers:	88,488	79,993
<i>repayable on demand</i>	66,282	63,074
<i>time deposits or with notice period</i>	22,206	16,919
Securities issued:	46,564	51,553
<i>bonds</i>	39,628	39,979
<i>certificates of deposit</i>	2,930	7,149
<i>other</i>	4,006	4,425
Public funds administered	150	175
Other liabilities	22,162	18,445
Accrued expense and deferred income:	2,647	2,181
<i>accrued expense</i>	2,252	1,708
<i>deferred income</i>	395	473
Provision for termination indemnities	886	946
Provisions for risks and charges:	3,046	2,982
<i>pensions and similar commitments</i>	198	304
<i>taxation</i>	989	732
<i>other</i>	1,859	1,946
Reserve for possible loan losses	81	91
Reserve for general banking risks	6	4
Subordinated liabilities	6,955	6,414
Negative goodwill arising on application of the equity method	430	213
Minority interests	176	271
Capital	5,218	5,144
Share premium reserve	725	708
Reserves:	3,963	3,882
<i>legal reserve</i>	1,044	1,029
<i>reserve for own shares</i>	51	34
<i>other reserves</i>	2,868	2,819
Revaluation reserves	69	72
Net income for the year	1,393	972
Total liabilities and shareholders' equity	211,157	202,580

	<i>As at 31 December,</i>	
	<i>2004</i>	<i>2003</i>
	<i>(audited)</i>	<i>(audited)</i>
	<i>(in millions of Euro)</i>	
GUARANTEES AND COMMITMENTS		
Guarantees given	17,299	19,912
Including:		
<i>acceptances</i>	187	145
<i>other guarantees</i>	17,112	19,767
Commitments	29,815	25,839

DESCRIPTION OF SANPAOLO IMI BANK

Incorporation and Share Capital

Sanpaolo IMI Bank was incorporated as IMI Bank (International) S.A. under Cayman Islands law as an exempted company without limit as to its duration on 16 June 1987. With effect from 30 May 1997, Sanpaolo IMI Bank redomiciled from the Cayman Islands to the Madeira International Business Centre in Portugal.

Pursuant to resolutions of the general meeting of shareholders held on 7 September 1999 and on 8 October 1999, Sanpaolo IMI Bank changed its name from “*IMI Bank (International) S.A.*” to “*SANPAOLO IMI BANK (INTERNATIONAL) S.A.*” by means of public deeds executed on 7 September 1999 and 9 December 1999 in Madeira, Portugal.

As a fully licensed Portuguese bank, Sanpaolo IMI Bank is subject to the regulations of the Bank of Portugal as well as the relevant laws and regulations of Portugal (including Madeira). Sanpaolo IMI Bank is registered at the Commercial Registry of the Madeira International Business Centre under number 2800. Its registered and head office is located at Av. Arriaga, 73-1 andar-sala 114, 9000-060 Funchal, Madeira, Portugal, telephone number: +351 291233 701.

The authorised share capital of Sanpaolo IMI Bank is currently Euro 172,238,000. The issued and paid-up share capital of Sanpaolo IMI Bank is Euro 172,238,000, divided into 34,447,600 ordinary shares of Euro 5 each, as redenominated in Euro pursuant to a shareholders’ resolution of 7 September 1999.

The shares of Sanpaolo IMI Bank are held as follows:

<i>Shareholders</i>	<i>Number of shares held</i>
Sanpaolo IMI	34,447,592
Sanpaolo IMI International S.A.	2
IMI Investments S.A.	2
Sanpaolo IMI Bank Ireland PLC	2
Sanpaolo Bank S.A	2
Total	<u>34,447,600</u>

During 2004, IMI Bank (Lux), until then shareholder of Sanpaolo IMI Bank, merged into SANPAOLO BANK, S.A.

Each of Sanpaolo IMI Bank’s shareholders, other than Sanpaolo IMI, is either directly or indirectly wholly-owned by Sanpaolo IMI. Sanpaolo IMI Bank has no subsidiaries.

Activities

Since its incorporation, Sanpaolo IMI Bank has tapped various segments of the international capital markets, raising medium and long-term funds through a number of bond issues in the form of both public and private placements and loans. Sanpaolo IMI Bank’s guaranteed long-term bond debt is currently rated A+ by Standard & Poor’s, Aa3 by Moody’s and AA- by Fitch.

Board of Directors

The current composition of the Board of Directors of Sanpaolo IMI Bank is as follows:

<i>Name, Title and Business Address</i>	<i>Principal activities outside Sanpaolo IMI Bank</i>
Stefano Del Punta, Chairman <i>Pzza San Carlo, 156 – Turin, Italy</i>	None
Mario Cotto, Managing Director, <i>Avenida Arriaga, 73-1 andar - Sala 114, 9000-060 Funchal – Madeira, Portugal</i>	Managing Director of SANPAOLO IMI Private Equity Management Company Chairman of Gescosin
Raul de Almeida Capela, Director <i>Avenida Arriaga, 73-1 andar - Sala 114, 9000-060 Funchal – Madeira, Portugal</i>	Chairman of Gescosin
Paolo Modestini, Director <i>Vle dell'Arte, 25, Rome, Italy</i>	None
Pedro Rebelo de Sousa, Director <i>Rua Dom Francisco Manuel de Melo, 21, Lisbon 1070-085, Portugal</i>	Partner of Simmons & Simmons Rebelo de Sousa

FINANCIAL INFORMATION RELATING TO SANPAOLO IMI BANK

The summary financial information of Sanpaolo IMI Bank set out below and on the following page has been extracted without material adjustment from the audited financial statements of Sanpaolo IMI Bank as at and for the years ended 31 December 2004 and 2003, such financial statements having been prepared in accordance with generally accepted accounting principles, industry practices and other relevant regulatory requirements applicable to the banking industry in Portugal (Portuguese GAAP).

BALANCE SHEET AT 31 DECEMBER 2004 AND 2003

(Expressed in thousands of Euro)
(Free translation from the original in Portuguese)

	<i>As at 31 December,</i>	
	<i>2004</i>	<i>2003</i>
	<i>(audited)</i>	<i>(audited)</i>
	<i>(in thousands of Euro)</i>	
ASSETS		
Cash and deposits at central banks	18,093	19,701
Demand deposits with credit institutions	64	46
Placements with credit institutions	7,288,762	8,253,827
Fixed assets	2	5
Accruals and deferred expenses	109,991	139,422
Total Assets	7,416,912	8,413,001
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Amounts due to credit institutions	234,572	201,451
Debt securities:		
Outstanding notes and bonds	5,965,043	6,393,649
Other debt securities – Eurocommercial paper and certificates of deposits	927,157	1,496,940
Other liabilities	81	126
Accruals and deferred income	109,169	138,458
Provisions for general bank risks	1,300	1,000
Total Liabilities	7,237,322	8,231,624
SHAREHOLDERS' EQUITY		
Share capital (common stock – 34,447,600 shares authorised, issued and outstanding)	172,238	172,238
Reserves	4,494	3,978
Net income for the period	2,858	5,161
Total Shareholders' Equity	179,590	181,377
Total Liabilities and Shareholders' Equity	7,416,912	8,413,001

INCOME STATEMENT YEARS ENDED 31 DECEMBER 2004 AND 2003

(Expressed in thousands of Euro)
(Free translation from the original presentation in Portuguese)

	<i>As at 31 December,</i>	
	<u>2004</u>	<u>2003</u>
	<i>(audited)</i>	<i>(audited)</i>
	<i>(in thousands of Euro)</i>	
DEBITS		
Interest expense	200,593	211,533
Commissions	2	2
Trading activity losses	2,714	7
General administrative costs:		
Staff costs	33	28
Other administrative costs	708	664
Total general administrative costs	741	692
Depreciation and amortization	3	3
Provisions for other risks and contingencies	300	–
Other taxes	30	30
Net profit for the period	2,858	5,161
Total	207,241	217,428
CREDITS		
Interest income	204,5231	216,131
Commissions	1	1
Provisions	–	1,289
Extraordinary gains	2,717	7
Total	207,241	217,428

DESCRIPTION OF SANPAOLO IMI BANK IRELAND

Incorporation and share capital

Sanpaolo IMI Bank Ireland was incorporated in Ireland on 22 September 1987 under the Irish Companies Act, 1963. Sanpaolo IMI Bank Ireland changed its name to Sanpaolo Bank Ireland Plc on 7 August 1998 and received a banking license from the Central Bank of Ireland on 2 October 1998 pursuant to section 9 of the Central Bank Act, 1971. Sanpaolo IMI Bank Ireland changed its name to Sanpaolo IMI Bank Ireland Plc on 28 January 2000. As a fully licensed bank in Ireland, Sanpaolo IMI Bank Ireland is subject to regulations by the Irish Financial Services Regulatory Authority (“*IFSCRA*”). Sanpaolo IMI Bank Ireland is registered with the Registrar of Companies in Dublin under registration number 125216. Its registered office is located at 3rd floor, KBC House, 4 George’s Dock, IFSC Dublin 1 (tel: + 353 1 6726 720). Sanpaolo IMI Bank Ireland is wholly owned by SANPAOLO IMI S.p.A. and it has no active subsidiaries.

Activities

Since its incorporation, the Issuer has been active in various segments of banking business. Its main activity is international lending to corporate and credit institutions, export credit transactions, syndicate loans and treasury.

Sanpaolo IMI Bank Ireland’s senior guaranteed long term bond debt is currently rated A+ by Standard & Poor’s and Aa3 by Moody’s. Sanpaolo IMI Bank Ireland currently has 18 employees.

Board of Directors

The current composition of the Board of Directors of Sanpaolo IMI Bank Ireland is as follows:

<i>Name, Title and Business Address</i>	<i>Principal Activities outside Sanpaolo IMI Bank Ireland</i>
Dante Campioni, Chairman <i>Sanpaolo IMI Bank SpA – London Branch, Warwick Court, 18-24 Warwick Lane, Paternoster Square, London EC4M 7LZ</i>	General Manager of Sanpaolo IMI – London Branch and Head of Area Europe Director of the Italian Chamber of Commerce and Industry for the UK
Pier Carlo Arena, Managing Director <i>Sanpaolo IMI Bank Ireland Plc, 3rd Floor, KBC House, 4 George’s Dock, IFSC, Dublin 1, Ireland</i>	Director of Sanpaolo Invest Ltd Director of Tobuk Ltd
Marco Antonio Bertotti, Director <i>Sanpaolo IMI SpA Piazza San Carlo, 156, 10121 Turin, Italy</i>	Head of Foreign Exchange and Money Markets/Treasury in Sanpaolo IMI Bank
Nathaniel Healy, Director <i>Newcastle House, Newcastle, Co. Wicklow Ireland</i>	Director of Trident Aviation Holdings (Ireland) Ltd Director of Trident Aviation Leasing Services (Ireland) Ltd Director of Trident Jet (Dublin) Ltd Director Trident Jet Leasing (Ireland) Ltd Director of Trident Turboprop (Dublin) Ltd Director of Systems 2001 Asset Trust Ireland Finance plc
Ian Letchford, Director <i>60 Eagle Valley, Powerscourt, Enniskerry, Co. Wicklow</i>	No other activities

Name, Title and Business Address

Paolo Andrea Ricciardi, Director
Sanpaolo IMI SpA – London Branch, Warwick Court, 18-24 Warwick Lane, Paternoster Square, London EC4M 7LZ

Giancarlo Sivilotti, Director
Sanpaolo IMI SpA, Piazza San Carlo, 156, 10121 Turin, Italy

Principal Activities outside Sanpaolo IMI Bank Ireland

Head of Syndications & Structuring at Sanpaolo IMI
– London Branch

Head of Group Credit Committee of Sanpaolo IMI
Director of Sanpaolo Leasint SpA
Director of Banca Opi SpA
Chairman of Supervisory Board Intereuropa Bank

Financial Information

The following financial information should be read in conjunction with the more detailed financial information and related notes which form an integral part thereof as set forth in Sanpaolo IMI Bank Ireland's annual report, copies of which are available from the Issuer by contacting the Financial Controller at 3rd floor, KBC House, 4 George's Dock, IFSC Dublin 1. Telephone + 353 1 6726 711.

The annual reports as at 31 December 2003 and 31 December 2004 were audited by PricewaterhouseCoopers and prepared in accordance with the Irish Company Act 1963 to 2003 and accounting principles in Ireland ("*Irish GAAP*").

FINANCIAL INFORMATION RELATING TO SANPAOLO IMI BANK IRELAND

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	<i>As at 31 December,</i>	
	<u>2004</u>	<u>2003</u>
	<i>(audited)</i>	<i>(audited)</i>
	<i>(in Euro)</i>	
Interest Receivable: Continuing Activities		
Interest receivable and similar income arising from debt securities	3,522,026	5,162,378
Other interest receivable and similar income	22,813,832	33,678,314
Interest Payable	<u>(10,834,200)</u>	<u>(20,411,872)</u>
Net Interest Income	15,501,658	18,428,820
Dividend income from group undertakings	505,214	1,857,776
Fees and commissions receivable	2,536,128	1,994,389
Dealing profits	86,956	649,645
Foreign exchange loss	(9,632)	(20,776)
Other operating income	114,597	–
Operating Income	18,734,921	22,909,864
Administrative expenses	(2,842,703)	(2,457,455)
Depreciation	(106,315)	(96,572)
Provisions for bad and doubtful debts	466,310	2,506,226
Operating Expenditure	(2,482,708)	(47,801)
Operating Profit/Profit on Ordinary Activities Before Tax-Continuing Activities	16,252,213	22,862,063
Tax on profit on ordinary activities	<u>(1,561,291)</u>	<u>(1,596,528)</u>
Profit for the Financial Year	14,690,922	21,265,535
Dividends proposed	–	(20,000,000)
Retained Profit for the Financial Year	14,690,922	1,265,535
Profit and loss account at beginning of year	4,494,499	3,228,964
Profit and loss account at end of year	<u>19,185,421</u>	<u>4,494,499</u>

BALANCE SHEET AT 31 DECEMBER 2004

	<i>As at 31 December,</i>	
	<u>2004</u>	<u>2003</u>
	<i>(audited)</i>	<i>(audited)</i>
	<i>(in Euro)</i>	
ASSETS		
Cash and balance at central banks	11,925,001	29,173,446
Loans and advances to banks	658,454,015	443,907,644
Loans and advances to customers	687,126,597	490,436,365
Debt securities	141,925,876	161,156,041
Fixed assets	229,139	213,250
Investments in group undertakings	13	25,719,586
Other assets	59,412	6,188,696
Deferred taxation	574,682	550,000
Prepayments and accrued income	17,909,826	14,850,976
Total Assets	<u>1,518,204,561</u>	<u>1,172,196,004</u>
LIABILITIES		
Deposits by banks	926,906,568	572,558,692
Customer accounts	18,449,224	27,477,896
Other liabilities	13,495,347	31,893,288
Accruals and deferred income	26,941,890	22,545,518
Total Liabilities	<u>985,793,029</u>	<u>654,475,394</u>
CAPITAL AND RESERVES		
Called up share capital	7,500,000	7,500,000
Share premium account	1,024,665	1,024,665
Profit and loss account	19,185,421	4,494,499
Other reserves	504,701,446	504,701,446
SHAREHOLDERS' FUNDS		
Equity	532,411,532	517,720,610
Total Liabilities and Shareholders' Funds	<u>1,518,204,561</u>	<u>1,172,196,004</u>
Commitments – Financial Commitments	<u>1,464,234,815</u>	<u>1,381,167,855</u>

TAXATION

MADEIRA AND PORTUGAL

Sanpaolo IMI Bank has been advised that under the existing laws of Madeira and Portugal as of the date of the Base Prospectus and the Offering Circular any payment under the Notes, Coupons and Receipts, deemed as interest pursuant to Portuguese tax legislation, made from Madeira by SanPaolo IMI Bank to effective beneficiaries of such income that are non-residents of Portugal and which are duly identified as such, will not be subject to Portuguese withholding tax, to the extent provided in article 33 of the *Estatuto dos Benefícios Fiscais* (the “*Statute of Tax Incentives*”) and in Decree Law 193/2005 of 7 November 2005. The tax regime applicable to entities with a licence to operate in the Madeira International Business Centre issued up to 31 December, 2000, such as Sanpaolo IMI Bank, is also set out in Article 33 and in article 33-A of the *Statute of Tax Incentives*. The main tax exemptions provided by the Madeira International Business Centre tax regime to Sanpaolo IMI Bank are granted until 31 December 2011 (Article 33 of the Statute of Tax Incentives). The tax position with effect from 2011 is expected to be the same as that on the Portuguese mainland unless an extension of the current position is granted. Neither Sanpaolo IMI Bank nor Sanpaolo IMI is in a position to predict at this time whether such an extension will be granted. There will be no Portuguese stamp duty payable on Notes, Coupons or Receipts issued by Sanpaolo IMI Bank brought into Portugal but a holder of Notes or Coupons receiving interest payments in Portugal will be subject to normal Portuguese taxation. Pursuant to the provisions of Portuguese anti-avoidance legislation (Article 38, paragraph 2 of the *Lei Geral Tributária*) payments to entities not resident in Portugal which are resident for tax purposes in a territory included in the list of jurisdictions with a clearly more favourable tax regime approved by *Portaria* (Ministerial Order) 150/2004 of the Portuguese Minister of Finance could be challenged by the Portuguese authorities in the event that the Portuguese authorities consider that the transaction in question is implemented with the principal aim of illegally avoiding tax.

New Decree Law 193/2005

Decree Law 193/2005 of 7 November 2005 establishes a new tax regime applicable to debt securities issued by Portuguese public or private entities and held by non-resident entities or individuals (“*DL 193/2005*”) and sets out the following tax exemptions, which will be applicable if the effective beneficiary of the income (i.e. the person or entity entitled to such income on its own account and not in the capacity as agent or intermediary) is a non-Portuguese resident entity and the debt securities in question are in accordance with the terms and mechanisms of DL 193/2005:

- (i) interest payments under debt securities received by non-resident entities (if such interest is not attributable to a permanent establishment in Portugal) which are not located in any of the blacklisted jurisdictions set out in the Ministerial Dispatch 150/2004 of 13 February will be exempt from Portuguese withholding tax; and
- (ii) capital gains obtained by the same type of entities mentioned in (i) above with the disposal of debt securities will be exempt from Portuguese income tax.

The tax exemptions foreseen in DL 193/2005 will only be applicable in relation to interest periods commencing after the entry into force of this new regime, which is 1 January 2006.

DL 193/2005 establishes the applicable mechanisms in relation to the certification by investors of non-residency for the purpose of the tax exemptions.

Under DL 193/2005, the custodian/registrar of the debt securities (i.e. the entity which holds the relevant account with the relevant centralised system in which the debt securities are integrated) will be

under the obligation to obtain and maintain evidence that the effective beneficiary of the interest payments is a non-resident entity as set out below.

- (i) Debt securities cleared through international systems (for example Euroclear/Clearstream)

In the event that:

- (a) the debt securities are registered in an account held at an international clearing system; and
- (b) the respective management entity undertakes not to provide the respective registration/custody services to entities which are resident in Portugal or entities which are not resident in Portugal but do not benefit from the above mentioned tax exemptions,

evidence of non-residency shall be obtained by means of annual certification which sets out the name, address and tax number of each non-resident entity, together with the identification and amount of debt securities held and the justification for the applicable tax exemption or, alternatively;

by means of annual declaration stating that effective beneficiaries are exempt complemented by a detailed list, issued at each payment date, containing the same information as requested in the paragraph above.

- (ii) Central banks, public institutions, international organisations, credit institutions, financial companies, pension funds and insurance companies (“*Institutional Investors*”)

Evidence of non-residency in relation to Institutional Investors which are domiciled in an OECD Member State or any country with which Portugal has entered into a double tax treaty shall be obtained by means of any of the following documents:

- (a) tax identification;
- (b) certificate issued by the entity which is responsible for its registration or supervision which confirms its legal existence and domicile;
- (c) residence certificate or equivalent document issued by the tax authorities or the Portuguese consulate of the country of residence or other document specifically issued by an official entity of the local, regional or central public administration of the relevant country of residence; or
- (d) in case of central banks, international organisations or public institutions which are part of the local, regional or central public administration of the relevant country of residence, a duly executed and authenticated statement of the effective beneficiary.

- (iii) Collective investment schemes

Evidence of non-residency in relation to investment funds or other collective investment schemes which are domiciled in an OECD Member State or any country with which Portugal has entered into a double tax treaty shall be obtained by means of any of the following documents:

- (a) certificate issued by the entity which is responsible for its registration or supervision or by the tax authorities, confirming its legal existence, domicile and law of incorporation; or

- (b) residence certificate or equivalent document issued by the tax authorities or the Portuguese consulate of the country of residence or other document specifically issued by an official entity of the local, regional or central public administration of the relevant country of residence.

(iv) Others

Evidence of non-residency in relation to other effective beneficiaries not included in the above categories shall be obtained by means of original or certified copy of residence certificate or equivalent document issued by the tax authorities or the Portuguese consulate of the country of residence or other document specifically issued by an official entity of the local, regional or central public administration of the relevant country of residence.

For (ii) (c), (iii) (b) and (iv) above, the documents must not be issued more than three months after the date when the withholding tax should have been applied and remain valid for three years.

Absence of evidence of non-residency in relation to any non-resident entity which benefits from the above mentioned tax exemption shall result in the loss of the tax exemption and consequent submission to the applicable Portuguese general tax provisions.

It should be noted that DL 193/2005 has only been published on 7 November 2005 and will only come into force and effect on 1 January 2006. Therefore, there is still no jurisprudence or official guidance or interpretation in this respect and consequently no certainty exists as to its scope of application.

IRELAND

The following comments are based on existing Irish tax law, including relevant regulations, administrative ruling and practices, as in effect on the date hereof, which may apply to investors who are the beneficial owners of Notes issued by Sanpaolo IMI Bank Ireland. Each prospective purchaser should understand that future legislative, administrative and judicial changes could modify the tax consequences described below. This summary is not exhaustive and prospective purchasers are advised to consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of Notes. In particular it does not address the specific tax considerations applicable to particular Notes which may be set out in the applicable Final Terms nor does it address the Irish tax position of a holder of Notes that is either resident or ordinarily resident in Ireland.

Stamp Duty

No stamp duty will arise on the issue of the Notes.

With regard to the transfer of the Notes, no stamp duty will be payable to the extent that title to the Notes passes by the delivery of the relevant bearer instrument.

Where a transfer of Notes is effected by an instrument, a stamp duty charge of 1 per cent. may arise unless the Notes satisfy the terms of a specific exemption from stamp duty on the transfer of “*loan capital*”.

Withholding Tax and Deposit Interest Retention Tax

Summary

Interest on Notes issued by San Paolo IMI Ireland that are in bearer form (whether as Global Notes or Notes in definitive form), quoted on a recognised stock exchange and held in Euroclear and/or

Clearstream, Luxembourg (and thus qualify for the “*quoted Eurobond exemption*”) may be paid free of withholding tax and deposit interest retention tax by Sanpaolo IMI Bank Ireland.

Interest on Notes issued by San Paolo IMI Ireland that do not meet these criteria may be subject to withholding tax and/or deposit interest retention tax unless another exemption, outlined below, applies.

Detail

Interest and other payments on listed Notes issued by Sanpaolo IMI Bank Ireland may be paid free of withholding tax and deposit interest retention tax where the interest is paid by Sanpaolo IMI Bank Ireland:

- (i) in respect of Notes that are in bearer form (whether as Global Notes or as Notes in definitive form), are quoted on a recognised stock exchange and are held in Euroclear and/or Clearstream, Luxembourg (the “*quoted Eurobond exemption*”); or
- (ii) in the ordinary course of its business; or
- (iii) to a person who is neither resident nor ordinarily resident in Ireland provided (1) it is paid by Sanpaolo IMI Bank Ireland in the ordinary course of it carrying on “*relevant trading operations*” (within the meaning of section 446 of the Taxes Consolidation Act 1997 (TCA)) or, where the interest is paid after 31 December 2005, provided it is paid in respect of a “*relevant security*” (as defined in section 246 of the TCA), and (2) that person completes a declaration where relevant to the effect that he is the beneficial owner of the interest and is not resident in Ireland; or
- (iv) in respect of Notes that are issued with an original maturity of two years or less and are held in a recognised clearing system (Euroclear and Clearstream, Luxembourg are so recognised) and have a minimum denomination of €500,000 in the case of Notes denominated in euro, U.S.\$500,000 in the case of Notes denominated in U.S. Dollars or, in the case of Notes denominated in a currency other than euro or U.S. Dollars, the equivalent of that other currency of €500,000.

As regards unlisted Notes issued by Sanpaolo IMI Bank Ireland, interest and other payments may be paid free of withholding tax where any of the exemptions outlined above at (ii), (iii) and (iv) apply. Such unlisted Notes may also be paid free of deposit interest retention tax if;

- (a) Sanpaolo IMI Bank Ireland and the relevant Dealer(s) comply in full in the applicable Final Terms with the terms of a concession published by the Irish Revenue Commissioners in their publication “*Guidance Notes for Deposit Takers*”, as modified from time to time; or
- (b) the beneficial recipient of such interest is an Irish resident person and falls within certain categories set out in (a) (i) to (vi) and (f) in the definition of “*relevant deposit*” in Section 256 of the Irish Taxes Consolidation Act 1997; or
- (c) the Notes are issued with an original maturity of two years or less and are held in a recognised clearing system (Euroclear and Clearstream, Luxembourg are so recognised) and have a minimum denomination of €500,000 in the case of Notes denominated in euro, U.S.\$500,000 in the case of Notes denominated in U.S. Dollars or, in the case of Notes denominated in a currency other than euro or U.S. Dollars, the equivalent of that other currency of €500,000.

Encashment Tax

Encashment tax may arise in respect of Notes issued in bearer form that constitute quoted Eurobonds (as defined above). Where interest payments are made in respect of such notes by an Irish collection agent, encashment tax at the standard rate of income tax (currently 20%) will arise unless the person beneficially owning the Note and entitled to the interest thereon is not resident in Ireland and has provided the appropriate declaration to the relevant person. Where interest payments are made by or through a collection agent outside Ireland, no encashment tax arises. In the case of Notes that are not quoted Eurobonds, and are issued by Sanpaolo IMI Bank Ireland, no encashment tax arises. Encashment tax will not arise by virtue of the clearing of a cheque, or the arranging for the clearing of a cheque, by a banker.

Income Tax

Summary

Holders of Notes issued by Sanpaolo IMI Bank Ireland who:

- (a) are neither resident nor ordinarily resident in Ireland and who do not carry on a trade in Ireland through a branch or agency; and;
- (b) who receive interest exempt from withholding tax pursuant to the quoted Eurobond exemption (as defined above);

will not be subject to Irish income tax or corporation tax on that interest provided they are persons tax resident in an EU Member State (other than Ireland) or in a country with which Ireland has a double taxation agreement.

Accordingly, such holders of Notes who are not tax resident in an EU Member State (other than Ireland) or in a country with which Ireland has a double taxation agreement may be subject to Irish income tax of 20% on that interest unless they fall within one of the other exemptions detailed below.

Detail

A holder of Notes issued by Sanpaolo IMI Bank Ireland who is neither resident nor ordinarily resident in Ireland and who does not carry on a trade in Ireland through a branch or agency will not be subject to Irish income tax or corporation tax on interest payments received in respect of such Notes, provided that

- (a) where the interest is exempt from withholding tax by reason of the quoted Eurobond exemption (as defined above), if the recipient is a person tax resident in a Member State of the European Union (other than Ireland) or in a country with which Ireland has a double taxation agreement. For this purpose, residence is determined by reference to the law of the country in which the recipient claims to be resident; or
- (b) the interest is paid by Sanpaolo IMI Bank Ireland in the ordinary course of it carrying on relevant trading operations (as defined above); or
- (c) where the interest is paid after December 31, 2005, provided that it is paid in respect of a relevant security (as defined above); or
- (d) in a situation where the quoted Eurobond exemption does not apply (i.e. to the extent the Notes are not in bearer form, quoted, on a recognised stock exchange and held in Euroclear and/or Clearstream, Luxembourg), if the recipient is a company tax resident in a Member State of the European Union (other than Ireland) or in a country with which Ireland has a

double taxation agreement. For this purpose, residence is determined by reference to the law of the country in which the recipient claims to be resident.

Where a holder's return on the Notes issued by Sanpaolo IMI Bank Ireland is by way of repayment at par of Notes issued at a discount or by way of repayment at a premium, the receipt of such discount/premium by a non-resident person who does not carry on a business in Ireland through a branch or agency, and who qualifies under one of the exemptions (a) to (d) above should likewise not be subject to Irish income tax or corporation tax on the amount of such discount/premium.

Capital Gains Tax

Capital gains arising on the disposal of the Notes by a holder of Notes who is neither resident nor ordinarily resident in Ireland will not be subject to Irish capital gains tax unless the Notes are used for the purposes of a trade carried on in Ireland through a branch or agency.

Capital Acquisitions Tax

A gift or inheritance comprising of Notes will only be within the charge to Irish capital acquisitions tax if either (1) the disponent or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland or, in certain circumstances, if the disponent is domiciled in Ireland irrespective of his residence or that of the donee/successor on the relevant date or (2) if the Notes are Irish situate property.

Notes which are in bearer form will be regarded for Irish capital acquisitions tax purposes as being situated in Ireland only if the bearer certificate in relation to such Notes is located in Ireland at the time of the gift or inheritance.

EU Savings Directive

On 3 June, 2003 the Council of the European Union (ECOFIN) adopted a directive regarding the taxation of interest income. Each EU Member State must implement the directive by enacting legislation that requires paying agents (within the meaning of the directive) established within its territory to provide to the relevant competent authority details of interest payments made to any individual and certain intermediate entities resident in another EU Member State or a territory being a dependent or associated territory of a Member State (Reportable Territory). The competent authority of the EU Member State of the paying agent (within the meaning of the directive) is then required to communicate this information to the competent authority of the Reportable Territory of which the beneficial owner of the interest is a resident.

Austria, Belgium and Luxembourg may opt instead to withhold tax from interest payments within the meaning of the directive.

Member States must apply the respective provisions with effect from 1 July 2005. Ireland has implemented the directive into national law. Any Irish paying agent making an interest payment on behalf of the Issuer to an individual, and certain residual entities defined in the 1997 Act, resident in another Reportable Territory will have to provide details of the payment to the Irish Revenue Commissioners who in turn will provide such information to the competent authorities of the Reportable Territory of residence of the individual or residual entity concerned.

ITALY

The statements herein regarding taxation are based on the laws in force in Italy as of the date of the Base Prospectus and the Offering Circular and are subject to any changes in law occurring after such date,

which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Law No. 80 of 7 April 2003 for the reform of the Italian tax system has been approved by the Italian Parliament on 26 March 2003 which authorises the Italian Government, *inter alia*, to issue, within two years of the entering into force of such law, legislative decrees introducing a general reform of the tax treatment of financial income. Legislative Decree No. 344 of 12 December 2003 (“Decree 344”) published in the Italian Official Gazette of 16 December 2003, No. 261 (Ordinary Supplement No. 190), effective as of 1 January 2004 introduced the reform of taxation of corporations and of certain financial income amending the Italian Income Taxes Consolidated Code. On 18 March 2005, the Italian Government approved a draft of the Legislative Decree (known as the “Correttivo IRES”), currently pending necessary approval from the Italian Parliament, that provides for some amendments to that part of the reform that may impact on the current provisions of the Italian Income Taxes Consolidated Code. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

Tax treatment of Notes issued by Sanpaolo IMI and other Italian resident issuers (not including their foreign branches)

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

Italian resident Noteholders

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

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

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001, as amended by Law Decree No. 269 of 30 September 2003 converted into Law No. 326 of 24 November 2003, as clarified by the Italian Revenue Agency through Circular No. 47/E of 8 August 2003 and Circular No. 38/E of 5 August 2004, payments of interests, premiums or other proceeds in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998 or pursuant Article 14-bis of Law No. 86 of 25 January 1994 are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of a real estate investment fund.

Where an Italian resident Noteholder is an open-ended or a closed-ended investment fund (the “Fund”) or a SICAV and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but to a 12.5 per cent. annual substitute tax (the “Collective Investment Fund Tax”). The 12.5 per cent. substitute tax is calculated on the net result accrued at the end of the tax period. Pursuant to Article 12 of Law Decree 30 September 2003, No. 269 (“Decree No. 269”), the 5 per cent. substitute tax on the net result accrued at the end of the tax period applies, if: (i) according to the Fund management regulation or to the SICAV by-laws, the Fund or the SICAV hold a participation of at least ? of their portfolio in small or medium capitalised companies listed on EU Stock Exchanges; and (ii) following the first year from the application of this tax regime and during the subsequent years (with some days of tolerance), the participation in small or medium capitalised companies is equal at least to ? of the portfolio of the Fund or of the SICAV. However, on 7 September 2005, the European Commission announced that the Italian tax regime provided by Article 12 of Decree No. 269 above for Funds and SICAVs investing in small or medium capitalised companies is not compatible with Article 87 of the EC Treaty (on State aid). Consequently, the European Commission requested Italy to abolish these provisions with retroactive effect. As a result, the provisions under Article 12 of Decree No. 269 should be abolished in the near future.

Where an Italian resident Noteholder is a 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) and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 11 per cent. substitute tax.

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

An Intermediary must (i) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary and (ii) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

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

Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident, an exemptive regime applies to interest, premium or other income relating to the Notes provided that the non-Italian resident beneficial owner is either (i) resident, for fiscal purposes, in a country which allows for a satisfactory exchange of information with Italy; or (ii) an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of a taxpayer in its own country of residence; or, independently by the relevant country of tax residence, (iii) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (iv) the Central Bank or an entity which manages the official reserves of a foreign State.

The *imposta sostitutiva* will be applicable at the rate of 12.5 per cent. to interest, premium and other income accrued during the holding period when the Noteholders are resident, for fiscal purposes, in countries which do not allow for a satisfactory exchange of information with Italy.

In order to ensure gross payment, non-resident investors must be the beneficial owners of payments of interest, premium or other income and (i) deposit the Notes, the Receipts or the Coupons with a bank or a SIM or a permanent establishment in Italy of a non-resident bank or SIM or with a non-resident operator of a clearing system having appointed as its agent in Italy for the purposes of Decree 239 a resident bank or SIM or a permanent establishment in Italy or a non-resident bank or SIM which are in contact via computer with the Ministry of Economy and Finance and (ii) file with the relevant depositary, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, to be provided only once, until revoked or withdrawn, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy or in the case of foreign Central Banks or entities which manage the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree 12 December 2001.

Early Redemption

Without prejudice to the above provisions, in the event that Notes issued by an Italian resident issuer are redeemed prior to 18 months from the Issue Date, the relevant issuer will be required to pay a tax equal to 20 per cent. of the interest and other amounts accrued up to the time of the early redemption. Such payment will be made by the relevant issuer and will not affect the amounts to be received by the Noteholder by way of interest or other amounts, if any, under the Notes.

Notes with a duration of less than 18 months

Interest payments relating to Notes issued with a duration of less than 18 months are subject to a withholding tax, levied at the rate of 27 per cent.

Where the Noteholder is (i) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected, (ii) an Italian company or a similar Italian commercial entity, (iii) a permanent establishment in Italy of a foreign entity, (iv) an Italian commercial partnership, or (v) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax; in all other cases, the withholding tax is a final withholding tax.

Tax treatment of Notes issued by Sanpaolo IMI Bank and other non-Italian resident issuers

Decree 239 also provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes issued, *inter alia*, by non-Italian resident issuers, falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*).

Italian resident Noteholders

Pursuant to Decree 239, an *imposta sostitutiva* equal to (i) 12.5 per cent. in relation to Notes issued for an original duration of not less than 18 months and (ii) 27 per cent. in relation to Notes issued for an original duration of less than 18 months, is applied on any payment of interest concerning Notes issued by Sanpaolo IMI Bank or other non-Italian resident issuers if payments are made to (i) an Italian individual not engaged in an entrepreneurial activity to which the Notes are connected (unless the individual has opted for the application of the “*risparmio gestito*” regime – see under “*Capital gains tax*” below), (ii) an Italian non-commercial partnership, (iii) an Italian non-commercial private or public institution, or (iv) an Italian investor exempt from Italian corporate income taxation. Such withholding is applied by the Italian resident Intermediary. In case the Noteholders described under (i) or (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

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

If the Notes are issued for an original duration of less than 18 months, the 27 per cent. *imposta sostitutiva* is also applied to any payment of interest or premium relating to the Notes made to (i) Italian pension funds (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*), (ii) Italian open-ended or closed-ended investment funds, and (iii) Italian SICAVs.

For whichever Noteholder's category that has not been specifically mentioned in this paragraph, please refer to the paragraph "*Tax treatment of Notes issued by Sanpaolo IMI other than Italian resident issuers – Italian resident Noteholders*" above.

Early Redemption

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

Non-Italian resident Noteholders

No Italian *imposta sostitutiva* is applied on payments to a non-Italian resident Noteholder of interest or premium relating to the Notes issued by Sanpaolo IMI Bank or another non-Italian resident issuer provided that, if such Notes are held in Italy, the non-Italian resident Noteholder declares to be non-Italian resident according to Italian tax regulations.

Payments made by an Italian resident guarantor

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

Atypical securities

Interest payments relating to Notes that are not deemed to be bonds (*obbligazioni*), debentures similar to bonds (*titoli similari alle obbligazioni*), shares or securities similar to shares pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986 may be subject to a withholding tax, levied at the

rate of 27 per cent. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value

In case of Notes issued by an Italian resident issuer, where the Noteholder is (i) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected, (ii) an Italian company or a similar Italian commercial entity, (iii) a permanent establishment in Italy of a foreign entity, (iv) an Italian commercial partnership or (v) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases the withholding tax is a final withholding tax. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value.

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

Capital gains tax

Any gain obtained from the sale or redemption of the Notes would be treated as part of taxable income if received by an Italian company or a similar commercial entity including an Italian permanent establishment of foreign entities to which the Notes are connected or Italian resident individuals engaged in an entrepreneurial activity.

Where an Italian resident Noteholder is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, any gain realised by the Noteholder would be subject to an *imposta sostitutiva*, levied at the current rate of 12.5 per cent. Noteholders may set-off losses with gains. Alternative tax regimes are contemplated if the Notes are managed by authorised intermediaries on behalf of the Italian resident Noteholder (such as the “*risparmio amministrato*” and the “*risparmio gestito*” regimes).

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

Capital gains realised by non-Italian resident Noteholders from the sale of Notes not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary:

- (i) is resident in a country which allows for a satisfactory exchange of information with Italy; or
- (ii) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or
- (iii) is a Central Bank or an entity which manages the official reserves of a foreign State; or
- (iv) is an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of a taxpayer in its own country of residence.

If the conditions above are not met, capital gains realised by non-Italian resident Noteholders from the sale of Notes not traded in regulated markets are subject to the *imposta sostitutiva* at the current rate of 12.5 per cent. However, non-Italian resident Noteholders that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the sale or redemption of notes are to be taxed only in the country of tax residence of the recipient will not be subject to *imposta sostitutiva* on any capital gains realised upon the sale or redemption of the Notes.

Gains realised by non-Italian resident Noteholders from the sale or redemption of Notes issued by Sanpaolo IMI Bank or another non-Italian resident issuer (whether or not traded on regulated markets) are not subject to Italian taxation, provided that the Notes are held outside Italy.

Italian gift tax

Italian inheritance tax has been abolished by Law No. 383 of 18 October 2001 in respect of succession proceedings started after 25 October 2001. Transfers of the Notes by reason of gift to persons other than the spouse, siblings, ascendants and descendants or relatives within the 4th grade will be subject to transfer taxes ordinarily applicable to the relevant transfer for consideration, if due, in respect of the value of the gift received by each person exceeding Euro 180,759.91.

Moreover, an anti-avoidance rule is provided for in case of gift of assets whose sale for consideration would give rise to capital gains to be subject to the *imposta sostitutiva* provided for by Legislative Decree No. 461 of 21 November 1997, as subsequently amended, such as the Notes. In particular, if the donee sells the Notes for consideration within 5 years from their receipt as a gift, the donee is required to pay the relevant *imposta sostitutiva* as if the gift had never taken place.

Transfer tax

In general, transfer tax is currently payable upon a transfer of Notes at a rate between a maximum of Euro 0.0083 and a minimum of Euro 0.00465 per Euro 51.65 (or fraction thereof) of the price at which the Notes are transferred. Where transfer tax is applied at a rate of Euro 0.00465 per Euro 51.65 (or fraction thereof) of the price at which Notes are transferred, the transfer tax cannot exceed Euro 929.62.

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

EU Savings Directive

On 3 June 2003, the European Council of Economics and Finance Ministers adopted a Directive 2003/48/EC on the taxation of savings income in the form of interest payments. Under the terms of the Directive, from 1 July 2005 and without affecting the withholding system of each country, all Member States, except Belgium, Luxembourg and Austria, automatically exchange information on interest payments by paying agents established in their territories to individuals resident in other Member States. Belgium, Luxembourg and Austria will introduce a system of information reporting at the end of a transitional period, during which they levy a withholding tax at a rate of 15 per cent. for the first three years and 20 per cent. for the following three years and 35 per cent. thereafter, and are entitled to receive information from the other Member States; these three Member States may elect to introduce automatic exchange of information during the transitional period, in which case they will no longer apply the withholding tax. All relevant Member States' dependent or associated territories (the Channel Islands, the

Isle of Man and the dependent or associated territories in the Caribbean) provide for the same measures as those of the Directive. In addition, the EC has concluded Agreements with certain third countries (Switzerland, Andorra, Liechtenstein, Monaco and San Marino), providing for measures equivalent to those laid down in the Directive. The Directive is applied according to legislative, administrative and regulatory measures implemented by Member States and by other countries and territories that have signed analogous agreements or pacts.

Implementation in Italy of the EU Savings Directive

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

SUBSCRIPTION AND SALE

The Dealers have in a programme agreement (the “*Programme Agreement*”) dated 27 April 1999, as amended and restated on 25 November 2005 agreed with the Issuers a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, the Issuers have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

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

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

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

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

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

EEA

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

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

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

United Kingdom

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

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

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the “*Securities and Exchange Law*”) and each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will not offer or sell any Notes, directly or indirectly, in Japan or to,

or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Italy

The offering of the Notes has not been registered pursuant to the Italian securities legislation and accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold, and will not offer or sell, any Notes in Italy in a solicitation to the public at large, and that, save as provided below, sale of the Notes by such Dealer in Italy shall only be negotiated on an individual basis, and shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Accordingly, the Notes may not be offered, sold or delivered and neither the Base Prospectus, the Offering Circular nor any other offering material relating to the Notes may be distributed or made available in Italy unless to “*Professional Investors*”, as defined in Article 31.2 of Consob Regulation No. 11522 of 1 July 1998 (as amended, restated or substituted from time to time) (“*Regulation No. 11522*”), pursuant to Article 30.2 and Article 100 of Legislative Decree No. 58 of 24 February 1998 (“*Decree No. 58*”), or in any other circumstances where an express exemption from compliance with the solicitation restriction, provided by Decree No. 58 or Consob Regulation No. 11971 of 14 May 1999 (as amended, restated or substituted from time to time) (“*Regulation No. 11971*”) applies, provided, however, that: (i) such activities are carried out by a securities intermediary duly authorised to conduct such activities in Italy and in accordance with applicable Italian securities laws and any other applicable legal or regulatory requirements, including, *inter alia*, Decree No. 58, 1998, Regulation No. 11522, Legislative Decree No. 385 of 1 September 1993 (the “*Italian Banking Act*”) and Regulation No. 11971, all as amended, restated and/or substituted from time to time; and (ii) the applicable requirements for notices to the Bank of Italy under Article 129 of the Italian Banking Act, and the Bank of Italy’s instructions issued thereunder are fully complied with.

Portugal

Each Dealer has represented and agreed that, and each further Dealer appointed under the Programme will be required to represent and agree that: (i) it has not directly or indirectly taken any action or offered, advertised, sold or delivered and will not directly or indirectly offer, advertise, sell, re-sell, re-offer or deliver any Notes in circumstances which could qualify as a public offer in the Portuguese market pursuant to the *Codigo dos Valores Mobiliarios* (the Portuguese Securities Code) or, where the Issuer is Sanpaolo IMI Bank, in circumstances which could qualify as a public or private offer in the Portuguese market pursuant to the *Codigo dos Valores Mobiliarios*; and (ii) it has not directly or indirectly distributed and will not directly or indirectly distribute any prospectus or any documents, circulars, advertisements or any offering material except in accordance with all applicable laws and regulations. No invitation may be made to residents of the Republic of Portugal to subscribe for any Notes issued by Sanpaolo IMI Bank.

Ireland

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

- (i) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes other than to persons whose ordinary business it is to buy or sell shares or debentures whether as principal or agent.

- (ii) it has complied and will comply with all applicable provisions of the Investment Intermediaries Acts 1995 to 2000 (the “*Investment Intermediaries Act*”) with respect to anything done by it in relation to the Notes or the Programme if operating in or otherwise involving Ireland and, in the case of a Dealer acting under and within the terms of an authorisation to do so for the purposes of EU Council Directive 93/22/EEC of 10 May 1993 (as amended or extended), it has complied with any codes of conduct made under Section 37 of the Investment Intermediaries Act 1995 and, in the case of a Dealer acting within the terms of an authorisation granted to it for the purposes of the Consolidation Directive it has complied with any codes of conduct or practice made under Section 117 (1) of the Central Bank Act 1989 of Ireland (as amended).
- (iii) (a) Subject to sub-paragraph (iii)(b) of this section, it will not knowingly offer, sell or deliver any unlisted Notes issued by Sanpaolo IMI Bank Ireland to any Irish resident person or to a person whose usual place of abode is in Ireland and it will not knowingly distribute or cause to be distributed in Ireland any offering material in connection with such Notes.
- (b) Subject to compliance with the regulatory requirements and provided, where necessary, it is confirmed in the relevant Final Terms that this is acceptable to the Irish Revenue Commissioners, the Issuers and the Dealers will not be subject to the selling restrictions contained in paragraph (iii)(a) above, where they wish to sell, or offer to sell, such Notes;
 - (i) to an Irish resident person which falls within certain categories set out in (a) (i) to (vi) and (f) in the definition of “*relevant deposit*” in Section 256 of the Irish Taxes Consolidation Act 1997 which is acquiring the Notes beneficially for its own account; or
 - (ii) where such Notes have an original maturity of two years or less and the minimum denomination of which will be €500,000 in the case of Notes denominated in euro, U.S.\$500,000 in the case of Notes denominated in U.S. Dollars or, in the case of Notes denominated in a currency other than euro or U.S. Dollars, the equivalent at the date of the Base Prospectus and the Offering Circular of that other currency of €500,000.

France

Each of the Dealers and each of the Issuers represent and agree that:

- (i) it has only made and will only make an offer of Notes to the public (appel public à l'épargne) in France in the period beginning (i) when a prospectus in relation to those Notes has been approved by the Autorité des marchés financiers (AMF), on the date of such publication or, (ii) when a prospectus has been approved in another Member State of the European Economic Area which has implemented the Prospectus Directive, on the date of notification of such approval to the AMF, all in accordance with articles L.412-1 and L.621-8 of the French Code monétaire et financier and the Règlement général of the AMF, and ending at the latest on the date which is 12 months after the date of such publication; or
- (ii) it has only made and will only make an offer of Notes to the public in France (appel public à l'épargne) and/or it has only required and will only require the admission to trading on Euronext Paris S.A. in circumstances which do not require the publication by the offeror of a prospectus pursuant to articles L.411-2 and L.412-1 of the French Code monétaire et financier; and
- (iii) otherwise, 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 Offering Circular or any other

offering material relating to the Notes, and that such offers, sales and distributions have been and shall only be made in France to (i) providers of investment services relating to portfolio management for the account of third parties, and/or (ii) qualified investors (*investisseurs qualifiés*), all as defined in, and in accordance with, articles L.411-1, L.411-2, D.411-1 of the French Code monétaire et financier.

The Netherlands

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that any Notes with a maturity of less than 12 months will be offered in the Netherlands in accordance with the Securities Transactions Supervision Act 1995 (“*Wet toesticht effectenverkeer 1995*”).

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes the Base Prospectus or the Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuers, the Guarantor or any of the other Dealers shall have any responsibility therefor.

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

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

GENERAL INFORMATION

Authorisation

The establishment of the Programme, the issue of Notes under the Programme by Sanpaolo IMI and the giving of the Guarantee in respect of Notes issued other than by Sanpaolo IMI have been duly authorised by a resolution of the Board of Directors of Sanpaolo IMI passed on 26 January 1999.

The establishment of the Programme and the issue of the Notes under the Programme by Sanpaolo IMI Bank have been duly authorised by a resolution of the Board of Directors of Sanpaolo IMI Bank passed on 3 March 1999.

The establishment of the Programme and the issue of the Notes under the Programme by Sanpaolo IMI Bank Ireland have been duly authorised by a resolution of the Board of Directors of Sanpaolo IMI Bank Ireland passed on 8 November 2005.

The original offering circular describing the Programme dated 27 April 1999 (the “*Offering Circular*”) was superseded by an offering circular dated 22 May 2000 (the “*Second Offering Circular*”). The Second Offering Circular, as amended and supplemented by two supplemental offering circulars dated, respectively, 26 September 2000 and 2 November 2000, was superseded by an offering circular dated 18 May 2001 (the “*Third Offering Circular*”). The Third Offering Circular, as amended and supplemented by two supplemental offering circulars dated, respectively, 21 November 2001 and 17 January 2002, was superseded by an offering circular dated 20 May 2002 (the “*Fourth Offering Circular*”). The Fourth Offering Circular, as amended and supplemented by a supplemental offering circular dated 6 December 2002, was superseded by an offering circular dated 20 May 2003 (the “*Fifth Offering Circular*”). The Fifth Offering Circular was then amended and supplemented by two supplemental offering circulars dated, respectively, 5 August 2003 and 28 January 2004 (the “*Supplemental Offering Circular*”). The Fifth Offering Circular, as amended and supplemented by the Supplemental Offering Circular was superseded by an offering circular dated 19 May 2004 (the “*Sixth Offering Circular*”). The Base Prospectus and the Offering Circular supersedes the Sixth Offering Circular.

Listing of Notes on the Irish Stock Exchange

Application has been made to the Irish Financial Services Regulatory Authority, as competent authority under the Prospectus Directive, for the Base Prospectus to be approved. Such approval relates only to the Notes which are to be admitted to trading on the Regulated Market or other regulated market for the purposes of Directive 93/22/EEC or which are to be offered to the public in any member state of the EEA. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market.

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

Documents Available

So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available, in electronic form, from the registered office of each Issuer and from the specified offices of the Irish Paying Agent:

- (i) the constitutional documents (with an English translation thereof) of each of Sanpaolo IMI, Sanpaolo IMI Bank and Sanpaolo IMI Bank Ireland;

- (ii) the consolidated audited financial statements of Sanpaolo IMI in respect of the financial years ended 31 December 2003 and 2004 (with an English translation thereof) prepared in conformity with accounting principles generally accepted in Italy for the banking sector;
- (iii) the audited financial statements of each of Sanpaolo IMI Bank and Sanpaolo IMI Bank Ireland for the financial years ended 31 December 2003 and 2004 (with an English translation thereof) prepared in conformity with accounting principles generally accepted in Portugal and Ireland respectively for the banking sector;
- (iv) the most recently published audited annual financial statements of each of Sanpaolo IMI, Sanpaolo IMI Bank and Sanpaolo IMI Bank Ireland and the most recently published interim financial statements (if any) of each of Sanpaolo IMI, Sanpaolo IMI Bank and Sanpaolo IMI Bank Ireland (in each case with an English translation thereof);
- (v) the Programme Agreement, the Trust Deed, the Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (vi) a copy of the Base Prospectus and the Offering Circular;
- (vii) any future base prospectuses, prospectuses, information memoranda and supplements including Final Terms (save that the Final Terms relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Paying Agent as to its holding of Notes and identity) to the Base Prospectus and the Offering Circular and any other documents incorporated herein or therein by reference; and
- (viii) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

Clearing Systems

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

Material Adverse Change

Since 31 December 2004 (being the last of the financial period in respect of which the most recent audited financial statements of Sanpaolo IMI Bank, Sanpaolo IMI Bank Ireland or Sanpaolo IMI have been prepared), there has been no material adverse change in the financial condition, trading position or prospects of Sanpaolo IMI Bank and its subsidiaries taken as a whole, Sanpaolo IMI Bank Ireland and its subsidiaries taken as a whole or Sanpaolo IMI and its subsidiaries taken as a whole.

Further to a tax inspection, there are currently discussions ongoing between Sanpaolo IMI Bank and the Portuguese Tax Authorities relating to the form of certification of non residency required in relation to payments made by Sanpaolo IMI Bank in the years 2001 and 2002. If Sanpaolo IMI Bank is not able to produce certificates as to non-residency satisfactory to the Portuguese Tax Authorities in accordance with the letters received from the Portuguese Tax Authorities dated 2 November 2005 and 3 November 2005, and a formal assessment is issued, and if the position of the Portuguese Tax Authorities is upheld by the Portuguese courts, it is possible that Sanpaolo IMI Bank may in future be liable to pay an amount in respect of tax assessed which might be considered material for Sanpaolo IMI Bank although it is the view of Sanpaolo IMI, Sanpaolo IMI Bank and Sanpaolo IMI Bank Ireland that such claim would not have a material adverse effect on the ability of

Sanpaolo IMI, Sanpaolo IMI Bank or Sanpaolo IMI Bank Ireland to meet their respective obligations to Noteholders in respect of the Notes. (See Litigation below).

Litigation

No Issuer nor any other member of the Group is involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which any Issuer is aware) which may have or have had in the 12 months preceding the date of this document a material adverse effect on the financial position of any Issuer or the Group that is material to the abilities of Sanpaolo IMI Bank, Sanpaolo IMI Bank Ireland or Sanpaolo IMI to meet their obligations to the Noteholders in respect of the Notes being issued.

Further to a tax inspection, there are currently discussions ongoing between Sanpaolo IMI Bank and the Portuguese Tax Authorities relating to the form of certification of non residency required in relation to payments made by Sanpaolo IMI Bank in the years 2001 and 2002. If Sanpaolo IMI Bank is not able to produce certificates as to non-residency satisfactory to the Portuguese Tax Authorities in accordance with the letters received from the Portuguese Tax Authorities dated 2 November 2005 and 3 November 2005, and a formal assessment is issued, and if the position of the Portuguese Tax Authorities is upheld by the Portuguese courts it is possible that Sanpaolo IMI Bank may be liable to pay an amount in respect of tax. There is no certainty that the Portuguese Tax Authorities will make a claim against Sanpaolo IMI Bank in respect of payments made during the relevant period or that the courts would support such a claim if made. If such a claim were to be made and the Portuguese courts were to support such a claim it is the view of Sanpaolo IMI, Sanpaolo IMI Bank and Sanpaolo IMI Bank Ireland that such claim would not have a material adverse effect on the ability of Sanpaolo IMI, Sanpaolo IMI Bank or Sanpaolo IMI Bank Ireland to meet their respective obligations to Noteholders in respect of the Notes.

No Conflict or Material Interest

Sanpaolo IMI Bank, Sanpaolo IMI Bank Ireland or Sanpaolo IMI each confirm that, to the best of their knowledge, at the date of the Base Prospectus and the Offering Circular, in relation to the persons listed as Directors of Sanpaolo IMI Bank, Sanpaolo IMI Bank Ireland or Sanpaolo IMI on pages 85, 88 and 73 they are not aware of any conflicts of interests, potential or not, between any duties of such persons to Sanpaolo IMI Bank, Sanpaolo IMI Bank Ireland or Sanpaolo IMI respectively, and such persons' private interests and/or other duties, other than those interests which have been disclosed at a meeting of directors or which have otherwise been disclosed in accordance with applicable laws.

Save for any fees payable to the Dealers, so far as the Issuers are aware, no person involved in the issue of the Notes has an interest material to the offer.

Auditors

The auditors of Sanpaolo IMI are PricewaterhouseCoopers S.p.A. since 1 January 2001. PricewaterhouseCoopers S.p.A. audited, without qualification, Sanpaolo IMI's accounts for the financial year ended 31 December 2004. PricewaterhouseCoopers S.p.A. is registered with the "*Special Professional Register of Auditing Firms*" (Albo Speciale delle Società di Revisione) held by Consob, the Italian Stock Exchange regulatory body, based on the art. 161 of Law Decree n 58, 24 February 1998.

The auditors of Sanpaolo IMI Bank are PricewaterhouseCoopers & Associados, SROC, Lda since 1 January 2002. PricewaterhouseCoopers & Associados, SROC, Lda audited Sanpaolo IMI Bank's accounts, without qualification, for the financial year ended 31 December 2004. PricewaterhouseCoopers & Associados, SROC, Lda is a member of the Ordem dos Revisores Oficiais de Contas (Order of Official Auditors), and registered with the Comissão de Valores Mobiliários (the Portuguese Stock Exchange).

The auditors of Sanpaolo IMI Bank Ireland are PricewaterhouseCoopers since 1 January 2001. PriceWaterhouseCoopers audited Sanpaolo IMI Bank Ireland's accounts without qualification, for the financial year ended 31 December 2004. PricewaterhouseCoopers is regulated by the Institute of Chartered Accountants in Ireland which is recognised body under the Irish Audit and Accounting Supervisory Authority Act 2004.

Trustee's Reliance on Certificates and Reports

The Trust Deed will provide that the Trustee may rely on any certificate or report by the auditors of the Issuer or any other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with the provisions of the Trust Deed as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Trustee in connection therewith contains a monetary or other limit on the liability of the auditors of the Issuer or such other person in respect thereof.

Issue Price

The issue price and amount of the Notes of any Tranche to be issued under the Programme will be determined at the time of offering of such Tranche in accordance with then prevailing market conditions.

Material Contracts

There are no material contracts outside the ordinary course of businesses of Sanpaolo IMI Bank, Sanpaolo IMI Bank Ireland or Sanpaolo IMI, which could result in there being an obligation or entitlement that is material to the abilities of Sanpaolo IMI Bank, Sanpaolo IMI Bank Ireland or Sanpaolo IMI to meet their obligations to the Noteholders in respect of the notes being issued.

**REGISTERED AND HEAD OFFICE OF
SANPAOLO IMI S.p.A.**

Piazza San Carlo 156
Turin
Italy

**REGISTERED AND HEAD OFFICE OF
SANPAOLO IMI BANK (INTERNATIONAL) S.A.**

Av. Arriaga, 73
1 andar-sala 114
9000-060 Funchal
Madeira
Portugal

**REGISTERED AND HEAD OFFICE OF
SANPAOLO IMI BANK IRELAND PLC**

3rd Floor
KBC House
4 George's Dock
IFSC Dublin
Ireland

TRUSTEE

The Law Debenture Trust Corporation p.l.c.

Fifth Floor
100 Wood Street
London EC2V 7EX
England

ISSUING AND PRINCIPAL PAYING AGENT

Deutsche Bank AG, London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB
England

IRISH LISTING AGENT

Deutsche Bank Luxembourg S.A.

2 Boulevard Konrad Adenauer
L-1115 Luxembourg

IRISH PAYING AGENT

Deutsche International Corporate Services (Ireland) Limited

5 Harbourmaster Place
IFSC, Dublin 1
Ireland

LEGAL ADVISERS

*To Sanpaolo IMI as
to English law*

**Orrick, Herrington
& Sutcliffe**
Level 35, Tower 42
25 Old Broad Street
London EC2N 1HQ
England

*To Sanpaolo IMI as
to Italian law*

**Orrick, Herrington
& Sutcliffe**
Via del Consolato, 6
00186 Rome
Italy

*To Sanpaolo IMI Bank as
to Portuguese law*

**Simmons & Simmons
Rebello de Sousa**
Rua Dom Francisco
Manuel de Melo, 21
1070-085 Lisboa
Portugal

*To Sanpaolo IMI Bank
Ireland as to Irish law*

A&L Goodbody
International Financial
Services Centre
North Wall Quay
Dublin 1
Ireland

To the Dealers and the Trustee as to English law and Italian law

Allen & Overy
Studio Legale Associato
Corso Vittorio Emanuele II, 284
00186 Rome
Italy

AUDITORS

To Sanpaolo IMI

PricewaterhouseCoopers S.p.A.
Corso Montevicchio, 37
10129 Turin
Italy

To Sanpaolo IMI Bank

**PricewaterhouseCoopers &
Associados, SROC, Lda**
Palácio Sottomayor
Rua Sousa Martins, 1-2,º Esq.
1050-217 Lisbon
Portugal

To Sanpaolo IMI Bank Ireland

PricewaterhouseCoopers
George's Quay
Dublin 2
Ireland

DEALERS

ABN AMRO Bank N.V.
250 Bishopsgate
London EC2M 4AA
England

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
England

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
England

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB
England

IXIS Corporate and Investment Bank
47, quai d'Austerlitz
75648 Paris Cedex 13
France

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

Morgan Stanley & Co. International Limited
25 Cabot Square
Canary Wharf
London E14 4QA
England

The Royal Bank of Scotland plc
135 Bishopsgate
London EC2M 3UR
England

Banca IMI S.p.A.
Corso Matteotti 6
20121 Milan
Italy

Credit Suisse First Boston (Europe) Limited
One Cabot Square
London E14 4QJ
England

Dresdner Bank Aktiengesellschaft
Jürgen-Ponto-Platz 1
60301 Frankfurt am Main
Germany

HSBC Bank plc
8 Canada Square
London E14 5HQ
England

J.P. Morgan Securities Ltd.
125 London Wall
London EC2Y 5AJ
England

Merrill Lynch International
Merrill Lynch Financial Centre
2 King Edward Street
London EC1A 1HQ
England

Sanpaolo IMI S.p.A.
Piazza San Carlo, 156
10121 Turin
Italy

UBS Limited
1 Finsbury Avenue
London EC2M 2PP
England