

THE FOLLOWING TRANSLATION IS FOR INFORMATION PURPOSES ONLY. IN CASE OF INCONSISTENCIES BETWEEN THE ITALIAN VERSION AND THE ENGLISH VERSION OF THIS DOCUMENT, THE ITALIAN VERSION SHALL PREVAIL.

TOMBSTONE

LEHMAN BROTHERS



PUBLIC OFFERING OF BONDS

“EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT UP
TO €250,000,000.00 TWISTER STEP UP BONDS, DUE 2020”

IN A MINIMUM PRINCIPAL AMOUNT OF EURO 100 MILLION AND
MAXIMUM PRINCIPAL AMOUNT OF EURO 250 MILLION

MAIN FEATURES OF THE BONDS

Issuer: European Bank for Reconstruction and Development.

Rating of the Issuer: AAA - by Standard & Poor's Ratings Services, Aaa - by Moody's Investors Service Limited and AAA - by Fitch Ratings Ltd.

ISIN Code: IT0006596313.

Minimum denomination: Euro 1,000.

Total amount: From a minimum aggregate principal amount of Euro 100 million to a maximum aggregate principal amount of Euro 250 million.

The Issuer has the right to issue further bonds with the same features, fully fungible with these bonds.

Issue price: At par (100.00% of the principal amount).

Issue Date: 5 October 2005.

Redemption: The bonds will redeem on 5 October 2020 (the "Redemption Date"), except in case of early redemption at par (100.00% of their principal amount).

Interest: Gross interest shall accrue on the principal amount of the Bonds, which will be

paid to bondholders on 5 October of each year during the life of the bonds (the "Payment Date"), commencing on 5 October 2006.

The coupons will be equal to:

- 5.00% gross per annum for the first coupon and 4.00% gross per annum for the second coupon, payable respectively on 5 October 2006 until 5 October 2007 (the "Fixed Coupons");

- an amount calculated on the basis of the following formula for the coupons payable commencing on 5 October 2008 until 5 October 2012 (the "First Floating Coupons"):

3 x (CMS 10 - CMS 2);

- an amount calculated on the basis of the following formula for the coupons payable commencing on October 2013 until 5 October 2016 (the "Second Floating Coupons"):

4 x (CMS 10 - CMS 2);

- an amount calculated on the basis of the following formula for the coupons payable commencing on 5 October 2017 until the Redemption Date (the "Third Floating Coupons", together with the First Floating Coupons and the Second Floating Coupons, the "Floating Coupons"):

5 x (CMS 10 - CMS 2).

Each Floating Coupon cannot be less than 1.00% gross per annum for the relevant calculation period.

Each Floating Coupon cannot be greater than 8.00% gross per annum for the relevant calculation period.

"CMS 10" means the annual swap rate for Euro swap transactions with a maturity of ten years, expressed as a percentage, which appears on the Reuters page ISDAFIX2 (or any other page that may replace such page for such service) under the heading "EURIBOR BASIS - EUR" and above the caption "11:00 a.m. Frankfurt" as of 11:00 a.m. Frankfurt time on the Determination Date.

"CMS 2" means the annual swap rate for Euro swap transactions with a maturity of two years, expressed as a percentage, which appears on the Reuters page ISDAFIX2 (or any other page that may replace such page for such service) under the heading "EURIBOR BASIS - EUR" and above the caption "11:00 a.m. Frankfurt" as of 11:00 a.m. Frankfurt time on the Determination Date.

Interest amounts for the Fixed Coupons and Floating Coupons will be calculated on an Actual/Actual ISMA basis and will be paid in accordance with the Following Business Day Convention.

"Determination Date" means the day that is five (5) Business Days preceding the first day of each calculation period.

"Business Day" means a day on which the Trans-European Automated Real Time Gross Settlement Express Transfer (TARGET) is operating and on which commercial banks and foreign exchange markets settle payments and

are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

Early redemption: Commencing on 5 October 2012 (the "First Call Date"), and on each subsequent Payment Date, the Issuer has the right to redeem the bonds at par (100.00% of their principal amount) by giving 10 Business Days' prior notice to the bondholders.

Clearing system: The payment of principal and interest will be made in the dematerialised securities clearing system managed by Monte Titoli S.p.A. through its authorised intermediaries. Clearing may also take place indirectly through the Euroclear and Clearstream systems.

Taxation: Pursuant to Legislative Decree No. 239 of 1 April 1996, as subsequently amended and supplemented, interest, premium and other gains on the bonds are subject to an *imposta sostitutiva* of income tax, currently levied at 12.50%, pursuant to the terms provided therein. Appreciations or depreciations are subject to the provisions of Legislative Decree No. 461 of 21 November 1997, as subsequently amended and supplemented, as well as to Art. 67 and 68 of Presidential Decree No. 917 of 22 December 1986.

Appreciations realized by companies resident in Italy for tax purposes are part of the taxable income of such companies for IRES and, in some cases, for IRAP purposes.

Listing: An application will be made to list the bonds on the *Mercato Telematico delle obbligazioni e dei titoli di Stato* (M.O.T.), organised and managed by *Borsa Italiana S.p.A.*

TERMS AND CONDITIONS OF THE PLACEMENT

The bonds are offered by a placement and underwriting syndicate of banks led by Lehman Brothers International (Europe) and coordinated by Lehman Brothers International (Europe), Milan branch (“**Lehman Brothers Milan**” or the “**Coordinator of the Placement**”).

The Issuer has authorised Lehman Brothers Milan to delegate part of its functions in its capacity, as Coordinator of the Placement, to MCC S.p.A.

The offering of the bonds is addressed to both the general public and professional investors in Italy. The bonds will be offered commencing on 19 September 2005 until 30 September 2005 – except for the early closing of the offering with no prior notice – and the relevant subscriptions will be satisfied by the bonds available with each of the following Placing Entities:

MCC S.p.A. - Capitalia Gruppo Bancario; placement entity also on line via FinecoBank (www.fineco.it)			
Arca Bim S.p.A.	Banca Antoniana Popolare Veneta S.p.A.	Banca Nazionale del Lavoro S.p.A.	Banca Patrimoni e Investimenti
Banca Popolare dell'Alto Adige S.r.l.	Bank Insinger de Beaufort N.V. (ITALIA)	Centrosim S.p.A.	Iccrea Banca S.p.A.

Payment of the subscription price of the bonds will have to be made with value date 5 October 2005 to the Placing Entities.

The Issuer, in agreement with Lehman Brothers International (Europe), has the right to withdraw the offering until the Issue Date (in such case, all subscriptions will be deemed void and ineffective) or to close the offer period early with notice thereof given subsequently.

The bonds involve the typical risks of an investment in securities indexed to the difference between Euro Swap rates (CMS 10 - CMS 2).

This notice represents an advertisement for promotional purposes only. For a detailed description of the contractual terms and conditions as well as the risk profiles of the bonds, prospective investors are invited to read the Information Sheet (*Foglio Informativo*), the Supplemental Notice (*Nota Integrativa*) and the Terms and Conditions of the Bonds (*Regolamento*), which the Placing Entities shall supply free of charge upon request by any client prior to any subscription of the bonds. During the offering period (from 19 September to 30 September 2005) the documentation related to the offering will be available, for access only to prospective investors residing in Italy, on <http://www.lehman.com/ops>

Before making any investment, prospective investors shall consider the suitability of the investment to their particular circumstances, if any, and review (with professional advisers, if necessary) the risks and consequences of such investment. Lehman Brothers International (Europe) or its affiliates are entitled to conduct transactions in their own account with reference or in connection to the bonds. Lehman Brothers International (Europe) is authorised and regulated by the Financial Services Authority.



European Bank
for Reconstruction and Development

TERMS AND CONDITIONS
(REGOLAMENTO)

**"EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT UP TO
€250,000,000.00 TWISTER STEP UP BONDS, DUE 2020"**

Article 1- **AMOUNT, DENOMINATION AND TYPE OF BONDS**

The bonds known as "European Bank for Reconstruction and Development up to €250,000,000.00 Twister Step Up Bonds, due 2020" in a minimum principal amount of Euro 100 million and maximum principal amount of Euro 250 million are issued by the European Bank for Reconstruction and Development and consist of a minimum number of 100,000 and a maximum number of 250,000 bonds in a denomination of Euro 1,000 each (the "**Bonds**").

The Bonds will be admitted to the dematerialised securities clearing system managed by Monte Titoli S.p.A. pursuant to Legislative Decree No. 213 of 24 June 1998. Clearing may also take place indirectly through the Euroclear and Clearstream systems.

The issuer has the right to issue further bonds with the same features, fully fungible with these Bonds.

Article 2 - **ISSUE PRICE**

The Bonds are issued at par at a price of Euro 1,000 each (the "**Denomination**").

Article 3 – **ISSUE DATE**

The issue date shall be on 5 October 2005 (the "**Issue Date**").

Article 4 - **DURATION, DATE OF ISSUE AND REDEMPTION**

The life of the Bonds will be fifteen years. The Bonds will be issued on 5 October 2005 and will redeem on 5 October 2020 (the "**Redemption Date**"), except in the case of early redemption pursuant to Article 8 below.

Article 5 - **INTEREST**

The Bonds will accrue gross interest on the principal amount, which will be paid to bondholders, pursuant to the terms and conditions provided in Article 9 below, on 5 October of each year during the life of the Bonds (the "**Payment Date**"), commencing on 5 October 2006, subject to the Following Business Day Convention, as defined in Article 9 below.

The coupons will be equal to:

- 5.00% gross per annum for the first coupon and 4.00% gross per annum for the second coupon, payable on 5 October 2006 and 5 October 2007, respectively (the "**Fixed Coupons**");

- an amount calculated on the basis of the following formula for the coupons payable commencing on 5 October 2008 until 5 October 2012 (the "**First Floating Coupons**");

3 x (CMS 10 - CMS 2);

- an amount calculated on the basis of the following formula for the coupons payable commencing on 5 October 2013 until 5 October 2016 (the "**Second Floating Coupons**");

4 x (CMS 10 - CMS 2);

- an amount calculated on the basis of the following formula for the coupons payable commencing on 5 October 2017 until the Redemption Date (the "**Third Floating Coupons**", together with the First Floating Coupons and the Second Floating Coupons, the "**Floating Coupons**"):

$5 \times (\text{CMS } 10 - \text{CMS } 2)$.

Each Floating Coupon cannot be less than 1.00% gross per annum for the relevant Calculation Period.

Each Floating Coupon cannot be greater than 8.00% gross per annum for the relevant Calculation Period.

Interest on the Bonds will be calculated on an Actual/Actual - ISMA basis.

Where:

"CMS 10" means the annual swap rate for euro swap transactions with a maturity of ten years, expressed as a percentage, which appears on Reuters page ISDAFIX2 (or any other page that may replace such page for such service) under the heading "EURIBOR BASIS - EUR" and above the caption "11:00 a.m. Frankfurt", as of 11:00 A.M. Frankfurt time on the Determination Date.

"CMS 2" means the annual swap rate for euro swap transactions with a maturity of two years, expressed as a percentage, which appears on the Reuters page ISDAFIX2 (or any other page that may replace such page for such service) under the heading "EURIBOR BASIS - EUR" and above the caption "11:00 a.m. Frankfurt", as of 11:00 A.M. Frankfurt time on the Determination Date.

"Determination Date" means the day that is 5 (five) Business Days preceding the first day of each Calculation Period.

"Business Day" means a day on which the Trans-European Automated Real Time Gross Settlement Express Transfer (TARGET) is operating and on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

"Calculation Period" means the period commencing on (and including) 5 October in each year to (but excluding) 5 October in the following year. For the avoidance of doubt, the initial Calculation Period commences on 5 October 2005 (included) and ends on 5 October 2006 (excluded).

"Actual/Actual - ISMA" means the number of days from (and including) the date on which interest begins to accrue during the relevant Calculation Period to (but excluding) the date on which interest falls due, divided by the actual number of days in the relevant Calculation Period.

If CMS 10 and/or CMS 2 do not appear on the Reuters page ISDAFIX2 (or on any replacing page or other relevant page) at 11:00 a.m. Frankfurt time on the Determination Date for any Calculation Period, the Determination Agent (as defined under Article 14 below) may determine a substitute value for such unavailable rate by requesting five major market participants selected by the Determination Agent to provide such rate, and in accordance with the following criteria: (i) if at least three quotations are provided, the rate for the relevant Calculation Period will be equal to the arithmetic average of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest) and (ii) if less than three quotations are provided, the rate for the relevant Calculation Period will be fixed at the reasonable discretion of the Determination Agent, acting in good faith and in a commercially reasonable manner.

Article 6 - **REDEMPTION**

The Bonds will redeem at par, on 5 October 2020 (except in case of early redemption (as set out by Article 8 below)) by the authorised intermediaries who participate in the dematerialised securities clearing system managed by Monte Titoli S.p.A.

Interest will cease to accrue on the Bonds from the Redemption Date.

Article 7 - **TAX REGIME**

The following is intended to be a summary of the tax regime applicable to Bonds and to certain categories of investors resident in Italy who hold such Bonds.

Investors resident in Italy must consult their advisors in relation to the tax regime provided for buying, owing and selling the Bonds.

Interest, premium and other gains on the Bonds (including the difference, if any, between the amount gained at maturity and the issue price) received by companies resident for tax purposes in Italy are not subject to withholding tax and are included in the taxable income of the same companies to calculate the companies income tax ("**IRES**") and, in some cases, of the regional tax on productive activities ("**IRAP**"). Interest, premium and other gains on the Bonds (including the difference, if any, between the amount gained at maturity and the issue price) received by individuals resident for tax purposes in Italy, are subject to an *imposta sostitutiva* of income tax, currently levied at 12.50%, pursuant to the provisions of Legislative Decree No. 239 of 1 April 1996, as amended.

Pursuant to the combined provisions of Article 67 of Presidential Decree No. 917 of 22 December 1986 and Article 5 of Legislative Decree No. 461 of 21 November 1997, as subsequently amended, appreciations, which are not capital gains, different from those received in connection with the carrying out of an artistic, professional or entrepreneurial activity, and gained by individuals resident for tax purposes in Italy by way of at-arm's-length sale or redemption of the Bonds, are subject to *imposta sostitutiva*, currently levied at the rate of 12.50%.

Such *imposta sostitutiva* is applied pursuant to the ordinary regime provided by Article 5 (so-called declaration regime), or pursuant to the optional regimes set forth by Articles 6 (so-called administrative savings) and 7 (so-called portfolio management) of the above mentioned Legislative Decree No 461/1997.

Appreciations realized by companies resident in Italy for tax purposes are included in the taxable income of the same for IRES and, in some cases, IRAP purposes.

Article 8 – **EARLY REDEMPTION**

Commencing on 5 October 2012 (the "**First Call Date**"), and on each subsequent Payment Date, the issuer has the right to redeem the Bonds at par (100.00% of their principal amount) by providing 10 Business Days' prior notice to the bondholders.

Article 9 – **PAYMENT OF INTEREST AND REDEMPTION**

The payment of interest and the redemption of the Bonds will be carried out by the dematerialised securities clearing system managed by Monte Titoli S.p.A., through its authorised intermediaries. If any payment relating to the Bonds does not fall on a Business Day, then such payment will be paid on the immediately following Business Day (the "**Following Business Day Convention**"), provided that the subsequent scheduled Payment Dates will not be subject to any change and no right to payment of interest for any additional days will accrue.

Article 10 - **PRESCRIPTION**

In relation to the interest, the rights of the bondholders will expire after five years from the Payment Date of the coupons and, in respect to the principal, the rights of the bondholders will expire after ten years from the Redemption Date of the Bonds.

Article 11 - **LISTING**

An application will be made to list the Bonds on the *Mercato Telematico delle obbligazioni e titoli di Stato (M.O.T.)*, organised and managed by *Borsa Italiana S.p.A.*

Article 12 - **CALCULATION AGENT AND PRINCIPAL PAYING AGENT**

Citibank N.A., London branch, with registered office in 5 Carmelite Street, London, EC4Y 0PA, United Kingdom, shall act as calculation agent and principal paying agent.

Article 13 - **LOCAL PAYING AGENT**

Citibank N.A., Milan branch, with registered office in Foro Bonaparte, 16, 20121 Milan, shall act as local paying agent.

Article 14 - **DETERMINATION AGENT**

Lehman Brothers International (Europe), with registered office in 25 Bank Street, London, E14 5LE, United Kingdom, shall act as determination agent.

Article 15 - **MISCELLANEOUS**

Any notice by the issuer shall be made, unless otherwise provided by law, through an announcement published in a daily newspaper having national circulation or in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*).

Any notice regarding ordinary matters to be made by the issuer to the bondholders may also be made through the Monte Titoli S.p.A. system for it to give the necessary notices to the entitled account holders. Any notice delivered to Monte Titoli S.p.A. in accordance with this Article will be deemed to have been made to the bondholders on the day on which the notice is delivered to Monte Titoli S.p.A.

The holding of Bonds entails the full acceptance of all the conditions established herein.

The Bonds are subject to the laws of Italy.

Any dispute between the bondholders and the issuer shall be settled by the Courts of Milan, save as provided in Article 1469 *bis* of the Italian Civil Code.

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European Bank
for Reconstruction and Development

PUBLIC OFFERING OF BONDS

**“EUROPEAN BANK FOR RECONSTRUCTION AND
DEVELOPMENT UP TO €250,000,000.00 TWISTER STEP UP
BONDS, DUE 2020”**

ISIN CODE IT0006596313

IN A MINIMUM PRINCIPAL AMOUNT OF EURO 100 MILLION AND
MAXIMUM PRINCIPAL AMOUNT OF EURO 250 MILLION
FOR A MINIMUM NUMBER OF 100,000 AND MAXIMUM NUMBER OF
250,000 BONDS IN A DENOMINATION OF EURO 1,000 EACH

LEHMAN BROTHERS



European Bank
for Reconstruction and Development

TERMS AND CONDITIONS OF THE PLACEMENT

The bonds are offered by a placement and underwriting syndicate group of banks led by Lehman Brothers International (Europe), and coordinated by Lehman Brothers International (Europe), Milan branch.

Payment of the price of the subscribed bonds shall take place on 5 October 2005. Subscription forms will be accepted from 19 September 2005 to 30 September 2005 – except for early closing of the offering with no prior notice - and will be satisfied by the bonds available with each placing entity.

This offering involves the typical risks related to an investment in securities issued by banks and indexed to the differential between Euro swap rates (CMS 10 - CMS 2).

Before applying for the offering, please read the Information Sheet (*Foglio Informativo*), the Supplemental Notice (*Nota Integrativa*), the Tombstone (*Documento di Sintesi*) and the Terms and Conditions of the Bonds (*Regolamento*) which the placing entities shall supply free of charge upon request by any client prior to subscription of the bonds.

During the offering period (from 19 to 30 September 2005) the documents related to the offering will be available, for access only to prospective investors residing in Italy, at <http://www.lehman.com/ops>



**SUBSCRIPTION FORM FOR THE SUBSCRIPTION TO THE OFFERING OF THE BONDS
"EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT UP TO €250,000,000.00
TWISTER STEP UP BONDS, DUE 2020"
(ISIN Code IT0006596313)**

**IN A MINIMUM PRINCIPAL AMOUNT OF EURO 100 MILLION AND MAXIMUM PRINCIPAL
AMOUNT OF EURO 250 MILLION
FOR A MINIMUM NUMBER OF 100,000 AND A MAXIMUM NUMBER OF 250,000 BONDS IN A
DENOMINATION OF EURO 1,000 EACH**

To the placing entity ("*Cassa Incaricata*")

Name of applicant _____ fiscal code _____

Resident in _____ postal code _____

Address _____ No. _____

ACKNOWLEDGES AND AGREES to the terms and conditions of the placement of the above mentioned offering of the bonds which are described in the documents accompanying this subscription form. Such documentation consists of the Terms and Conditions of the Bonds (*Regolamento*), the Tombstone (*Documento di Sintesi*), the Information Sheet (*Foglio Informativo*) and the Supplemental Notice (*Nota Integrativa*).

REQUESTS No. _____ (_____) ("A") bonds in a denomination of Euro 1,000 each, at an issue price of Euro 1,000.

IRREVOCABLY UNDERTAKES TO PAY on 5 October 2005, the amount of Euro _____⁽¹⁾

by drawing from the non-interest bearing account;

authorising the withdrawal from account No. _____

ACKNOWLEDGES that the assigned bonds will be held in dematerialised form (*forma dematerializzata*) with Monte Titoli S.p.A. and requests that such bonds be credited to its deposit account No. _____ with the below mentioned placing entity.

ACKNOWLEDGES that, in this transaction, the placing entity has a conflict of interest, as a consequence of being a member of the placement and underwriting syndicate group for the public offering of the bonds.

CONFIRMS under his own responsibility, to the extent of any consequence implied by law, that the data supplied in this schedule is true and accurate.

DECLARES that he is aware that any error in the subscription may lead to it being rejected.

Pursuant to Article 30 of Legislative Decree No. 58/98, the suspension of the effects of the agreements signed in a different place from the office of each placing entity shall apply. Pursuant to Article 13 of Legislative Decree No. 196 of 30 June 2003, it should be noted that personal data supplied in relation to the signing of this subscription form, will be used, including in computer databases, for purposes which are directly instrumental and connected to the offering (the collection of the subscription forms, checking for consistency, distribution and assignment). In relation to the abovementioned use of personal data, the applicant may exercise all the rights *ex* Article 7 of Legislative Decree No. 196 of 30 June 2003. The acquisition of personal data is mandatory and the failure to supply the aforesaid data will result in the subscription being rejected. The entities in charge of the treatment of the personal data are, respectively: European Bank for Reconstruction and Development, One Exchange Square, London EC2A 2JN, United Kingdom and the below mentioned placing entity.

(Place)

(date and time)

(applicant's signature)

(stamp and signature of placing entity)

(1) Equal to (A) multiplied by Euro 1,000

STATISTICAL DATA	
(cross in the box which corresponds to the applicant's status)	
Public <input type="checkbox"/>	Institutional Investors Italy <input type="checkbox"/>

TERMS AND CONDITIONS

(REGOLAMENTO)

(Omissis)



**SUBSCRIPTION FORM FOR THE SUBSCRIPTION TO THE OFFERING OF
THE BONDS "EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT UP TO
€250,000,000.00 TWISTER STEP UP BONDS, DUE 2020"
(ISIN Code IT0006596313)**

**IN A MINIMUM PRINCIPAL AMOUNT OF EURO 100 MILLION AND MAXIMUM PRINCIPAL
AMOUNT OF EURO 250 MILLION
FOR A MINIMUM NUMBER OF 100,000 AND A MAXIMUM NUMBER OF 250,000 BONDS IN A
DENOMINATION OF EURO 1,000 EACH**

To the placing entity ("*Cassa Incaricata*")

Name of applicant _____ fiscal code _____

Resident in _____ postal code _____

Address _____ No. _____

ACKNOWLEDGES AND AGREES to the terms and conditions of the placement of the above mentioned offering of the bonds which are described in the documents accompanying this subscription form. Such documentation consists of the Terms and Conditions of the Bonds (*Regolamento*), the Tombstone (*Documento di Sintesi*), the Information Sheet (*Foglio Informativo*) and the Supplemental Notice (*Nota Integrativa*).

REQUESTS No. _____ (_____) ("A") bonds in a denomination of Euro 1,000 each, at an issue price of Euro 1,000.

IRREVOCABLY UNDERTAKES TO PAY on 5 October 2005, the amount of Euro _____⁽¹⁾

by drawing from the non-interest bearing account;

authorising the withdrawal from account No. _____

ACKNOWLEDGES that the assigned bonds will be held in dematerialised form (*forma dematerializzata*) with Monte Titoli S.p.A. and requests that such bonds be credited to its deposit account No. _____ with the below mentioned placing entity.

ACKNOWLEDGES that, in this transaction, the placing entity has a conflict of interest, as a consequence of being a member of the placement and underwriting syndicate group for the public offering of the bonds.

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(Place)

(date and time)

(applicant's signature)

(stamp and signature of placing entity)

(1) Equal to (A) multiplied by Euro 1,000

STATISTICAL DATA (cross in the box which corresponds to the applicant's status)	
Public <input type="checkbox"/>	Institutional Investors Italy <input type="checkbox"/>

TERMS AND CONDITIONS

(REGOLAMENTO)

(Omissis)

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**SUBSCRIPTION FORM FOR THE SUBSCRIPTION TO THE
OFFERING OF THE BONDS "EUROPEAN BANK FOR RECONSTRUCTION AND
DEVELOPMENT UP TO €250,000,000.00 TWISTER STEP UP BONDS, DUE 2020"
(ISIN Code IT0006596313)
IN A MINIMUM PRINCIPAL AMOUNT OF EURO 100 MILLION AND MAXIMUM
PRINCIPAL AMOUNT OF EURO 250 MILLION
FOR A MINIMUM NUMBER OF 100,000 AND A MAXIMUM NUMBER OF 250,000
BONDS IN A DENOMINATION OF EURO 1,000 EACH**

To the placing entity ("*Cassa Incaricata*")

Name of applicant _____ fiscal code _____

Resident in _____ postal code _____

Address _____ No. _____

ACKNOWLEDGES AND AGREES to the terms and conditions of the placement of the above mentioned offering of the bonds which are described in the documents accompanying this subscription form. Such documentation consists of the Terms and Conditions of the Bonds (*Regolamento*), the Tombstone (*Documento di Sintesi*), the Information Sheet (*Foglio Informativo*) and the Supplemental Notice (*Nota Integrativa*).

REQUESTS No. _____ (_____) ("A") bonds in a denomination of Euro 1,000 each, at an issue price of Euro 1,000.

IRREVOCABLY UNDERTAKES TO PAY on 5 October 2005, the amount of Euro _____⁽¹⁾

by drawing from the non-interest bearing account;

authorising the withdrawal from account No. _____

ACKNOWLEDGES that the assigned bonds will be held in dematerialised form (*forma dematerializzata*) with Monte Titoli S.p.A. and requests that such bonds be credited to its deposit account No. _____ with the below mentioned placing entity.

ACKNOWLEDGES that, in this transaction, the placing entity has a conflict of interest, as a consequence of being a member of the placement and underwriting syndicate group for the public offering of the bonds.

CONFIRMS under his own responsibility, to the extent of any consequence implied by law, that the data supplied in this schedule is true and accurate.

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(Place)

(date and time)

(applicant's signature)

(stamp and signature of placing entity)

(1) Equal to (A) multiplied by Euro 1,000

STATISTICAL DATA

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(cross in the box which corresponds to the applicant's status)	
Public <input type="checkbox"/>	Institutional Investors Italy <input type="checkbox"/>

Page No. 3 - COPY FOR THE INVESTOR

**TERMS AND CONDITIONS
(REGOLAMENTO)**

**"EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT UP TO
€250,000,000.00 TWISTER STEP UP BONDS, DUE 2020"**

(ISIN Code IT0006596313)

Article 1- AMOUNT, DENOMINATION AND TYPE OF BONDS

The bonds known as "European Bank for Reconstruction and Development up to €250,000,000.00 Twister Step Up Bonds, due 2020" in a minimum principal amount of Euro 100 million and maximum principal amount of Euro 250 million are issued by the European Bank for Reconstruction and Development and consist of a minimum number of 100,000 and a maximum number of 250,000 bonds in a denomination of Euro 1,000 each (the "**Bonds**").

The Bonds will be admitted to the dematerialised securities clearing system managed by Monte Titoli S.p.A. pursuant to Legislative Decree No. 213 of 24 June 1998. Clearing may also take place indirectly through the Euroclear and Clearstream systems.

The issuer has the right to issue further bonds with the same features, fully fungible with these Bonds.

Article 2 - ISSUE PRICE

The Bonds are issued at par at a price of Euro 1,000 each (the "**Denomination**").

Article 3 – ISSUE DATE

The issue date shall be on 5 October 2005 (the "**Issue Date**").

Article 4 - DURATION, DATE OF ISSUE AND REDEMPTION

The life of the Bonds will be fifteen years. The Bonds will be issued on 5 October 2005 and will redeem on 5 October 2020 (the "**Redemption Date**"), except in the case of early redemption pursuant to Article 8 below.

Article 5 - INTEREST

The Bonds will accrue gross interest on the principal amount, which will be paid to bondholders, pursuant to the terms and conditions provided in Article 9 below, on 5 October of each year during the life of the Bonds (the "**Payment Date**"), commencing on 5 October 2006, subject to the Following Business Day Convention, as defined in Article 9 below.

The coupons will be equal to:

- 5.00% gross per annum for the first coupon and 4.00% gross per annum for the second coupon, payable on 5 October 2006 and 5 October 2007, respectively (the "**Fixed Coupons**");
- an amount calculated on the basis of the following formula for the coupons payable commencing on 5 October 2008 until 5 October 2012 (the "**First Floating Coupons**");

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3 x (CMS 10 - CMS 2);

- an amount calculated on the basis of the following formula for the coupons payable commencing on 5 October 2013 until 5 October 2016 (the "**Second Floating Coupons**"):

4 x (CMS 10 - CMS 2);

- an amount calculated on the basis of the following formula for the coupons payable commencing on 5 October 2017 until the Redemption Date (the "**Third Floating Coupons**", together with the First Floating Coupons and the Second Floating Coupons, the "**Floating Coupons**");

5 x (CMS 10 - CMS 2).

Each Floating Coupon cannot be less than 1.00% gross per annum for the relevant Calculation Period.

Each Floating Coupon cannot be greater than 8.00% gross per annum for the relevant Calculation Period.

Interest on the Bonds will be calculated on an Actual/Actual - ISMA basis.

Where:

"CMS 10" means the annual swap rate for euro swap transactions with a maturity of ten years, expressed as a percentage, which appears on Reuters page ISDAFIX2 (or any other page that may replace such page for such service) under the heading "EURIBOR BASIS - EUR" and above the caption "11:00 A.M. Frankfurt", as of 11:00 a.m. Frankfurt time on the Determination Date.

"CMS 2" means the annual swap rate for euro swap transactions with a maturity of two years, expressed as a percentage, which appears on the Reuters page ISDAFIX2 (or any other page that may replace such page for such service) under the heading "EURIBOR BASIS - EUR" and above the caption "11:00 A.M. Frankfurt", as of 11:00 a.m. Frankfurt time on the Determination Date.

"Determination Date" means the day that is 5 (five) Business Days preceding the first day of each Calculation Period.

"Business Day" means a day on which the Trans-European Automated Real Time Gross Settlement Express Transfer (TARGET) is operating and on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

"Calculation Period" means the period commencing on (and including) 5 October in each year to (but excluding) 5 October in the following year. For the avoidance of doubt, the initial Calculation Period commences on 5 October 2005 (included) and ends on 5 October 2006 (excluded).

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"Actual/Actual - ISMA" means the number of days from (and including) the date on which interest begins to accrue during the relevant Calculation Period to (but excluding) the date on which interest falls due, divided by the actual number of days in the relevant Calculation Period.

If CMS 10 and/or CMS 2 do not appear on the Reuters page ISDAFIX2 (or on any replacing page or other relevant page) at 11:00 a.m. Frankfurt time on the Determination Date for any Calculation Period, the Determination Agent (as defined under Article 14 below) may determine a substitute value for such unavailable rate by requesting five major market participants selected by the Determination Agent to provide such rate, and in accordance with the following criteria: (i) if at least three quotations are provided, the rate for the relevant Calculation Period will be equal to the arithmetic average of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest) and (ii) if less than three quotations are provided, the rate for the relevant Calculation Period will be fixed at the reasonable discretion of the Determination Agent, acting in good faith and in a commercially reasonable manner.

Article 6 - **REDEMPTION**

The Bonds will redeem at par, on 5 October 2020 (except in case of early redemption (as set out by Article 8 below)) by the authorised intermediaries who participate in the dematerialised securities clearing system managed by Monte Titoli S.p.A.

Interest will cease to accrue on the Bonds from the Redemption Date.

Article 7 - **TAX REGIME**

The following is intended to be a summary of the tax regime applicable to Bonds and to certain categories of investors resident in Italy who hold such Bonds.

Investors resident in Italy must consult their advisors in relation to the tax regime provided for buying, owing and selling the Bonds.

Interest, premium and other gains on the Bonds (including the difference, if any, between the amount gained at maturity and the issue price) received by companies resident for tax purposes in Italy are not subject to withholding tax and are included in the taxable income of the same companies to calculate the companies income tax ("**IRES**") and, in some cases, of the regional tax on productive activities ("**IRAP**"). Interest, premium and other gains on the Bonds (including the difference, if any, between the amount gained at maturity and the issue price) received by individuals resident for tax purposes in Italy, are subject to an *imposta sostitutiva* of income tax, currently levied at 12.50%, pursuant to the provisions of Legislative Decree No. 239 of 1 April 1996, as amended.

Pursuant to the combined provisions of Article 67 of Presidential Decree No. 917 of 22 December 1986 and Article 5 of Legislative Decree No. 461 of 21 November 1997, as subsequently amended, appreciations, which are not capital gains, different from those received in connection with the carrying out of an artistic, professional or entrepreneurial activity, and gained by individuals resident for tax purposes in Italy by way of at-arm's-length sale or redemption of the Bonds, are subject to *imposta sostitutiva*, currently levied at the rate of 12.50%.

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Such *imposta sostitutiva* is applied pursuant to the ordinary regime provided by Article 5 (so-called declaration regime), or pursuant to the optional regimes set forth by Articles 6 (so-called administrative savings) and 7 (so-called portfolio management) of the above mentioned Legislative Decree No 461/1997.

Appreciations realized by companies resident in Italy for tax purposes are included in the taxable income of the same for IRES and, in some cases, IRAP purposes.

Article 8 – **EARLY REDEMPTION**

Commencing on 5 October 2012 (the “**First Call Date**”), and on each subsequent Payment Date, the issuer has the right to redeem the Bonds at par (100.00% of their principal amount) by providing 10 Business Days’ prior notice to the bondholders.

Article 9 – **PAYMENT OF INTEREST AND REDEMPTION**

The payment of interest and the redemption of the Bonds will be carried out by the dematerialised securities clearing system managed by Monte Titoli S.p.A., through its authorised intermediaries. If any payment relating to the Bonds does not fall on a Business Day, then such payment will be paid on the immediately following Business Day (the “**Following Business Day Convention**”), provided that the subsequent scheduled Payment Dates will not be subject to any change and no right to payment of interest for any additional days will accrue.

Article 10 - **PRESCRIPTION**

In relation to the interest, the rights of the bondholders will expire after five years from the Payment Date of the coupons and, in respect to the principal, the rights of the bondholders will expire after ten years from the Redemption Date of the Bonds.

Article 11 - **LISTING**

An application will be made to list the Bonds on the *Mercato Telematico delle obbligazioni e titoli di Stato (M.O.T.)*, organised and managed by *Borsa Italiana S.p.A.*

Article 12 - **CALCULATION AGENT AND PRINCIPAL PAYING AGENT**

Citibank N.A., London branch, with registered office in 5 Carmelite Street, London, EC4Y 0PA, United Kingdom, shall act as calculation agent and principal paying agent.

Article 13 - **LOCAL PAYING AGENT**

Citibank N.A., Milan branch, with registered office in Foro Bonaparte, 16, 20121 Milan, shall act as local paying agent.

Article 14 - **DETERMINATION AGENT**

Lehman Brothers International (Europe), with registered office in 25 Bank Street, London, E14 5LE, United Kingdom, shall act as determination agent.

Article 15 - **MISCELLANEOUS**

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Any notice by the issuer shall be made, unless otherwise provided by law, through an announcement published in a daily newspaper having national circulation or in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*).

Any notice regarding ordinary matters to be made by the issuer to the bondholders may also be made through the Monte Titoli S.p.A. system for it to give the necessary notices to the entitled account holders. Any notice delivered to Monte Titoli S.p.A. in accordance with this Article will be deemed to have been made to the bondholders on the day on which the notice is delivered to Monte Titoli S.p.A.

The holding of Bonds entails the full acceptance of all the conditions established herein.

The Bonds are subject to the laws of Italy.

Any dispute between the bondholders and the issuer shall be settled by the Courts of Milan, save as provided in Article 1469 *bis* of the Italian Civil Code.

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LEHMAN BROTHERS



Placing and Underwriting Syndicate Group for the Public Offering of the Bonds

“EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT UP TO €250,000,000.00 TWISTER STEP UP BONDS, DUE 2020”

(ISIN Code IT0006596313)

RULES (*Norme di Servizio*) FOR THE PLACING ENTITIES (*Casse Incaricate*)

Placing and Underwriting Syndicate Group for the placement to the general public of the bonds called "*European Bank for Reconstruction and Development up to €250,000,000.00 Twister Step Up Bonds, due 2020*" in a minimum aggregate principal amount of Euro 100,000,000.00 and a maximum aggregate principal amount of Euro 250,000,000.00 for a minimum number of 100,000 and a maximum number of 250,000 bonds in a denomination of Euro 1,000 each (ISIN Code IT0006596313).

(A) THE OFFERING

The terms and conditions of the bonds (*Regolamento*) and the terms and conditions of the public offer (the "**Offering**") relating to "*European Bank for Reconstruction and Development up to €250,000,000.00 Twister Step Up Bonds, due 2020*" (ISIN Code IT0006596313) are contained in the documents for the Offering (hereinafter the "*Volantino per l'Offerta*"), which include the subscription form. The subscription form is made of 3 pages: page No. 1 for the European Bank for Reconstruction and Development, page No. 2 for the relevant Placing Entity (as defined below) and page No. 3, which includes a copy of the terms and conditions of the bonds (*Regolamento*), for the investor.

(B) ADDRESSEES OF THE OFFERING

The Offering is addressed to both the general public and professional investors in Italy and no offer of the bonds will be conducted outside the Republic of Italy.

(C) TERMS AND CONDITIONS OF THE SUBSCRIPTION

Subscriptions will be accepted commencing on 9:00 a.m. (Milan time) on 19 September 2005 until 4:00 p.m. (Milan time) on 30 September 2005 (“**Offering Period**”), for quantities of 1 bond (in a denomination of Euro 1,000 each) or multiples thereof, except for early closing of the Offering with no prior notice.

Subscription forms must be completed and signed in three originals by the applicants, and filed, in original, with the relevant Placing Entities (as defined below) on or before 4:00 p.m. (Milan time) on 30 September 2005.

Each applicant cannot file more than one subscription form with the same Placing Entity (as defined below).

Any subscription forms relating to the bonds placed outside the registered office must be completed and signed in three originals by the applicants, and filed, in original, with the relevant Placing Entities by on or before 4:00 p.m. (Milan time) on 23 September 2005. Subscriptions received outside the offices after such date will be deemed void.

Lehman Brothers International (Europe) in its capacity as the entity in charge of managing and, through its Milan branch, coordinating the placing and underwriting syndicate (“**Lehman Brothers**”) subject to the European Bank for Reconstruction and Development (the “**Issuer**”) agreement, has the right to withdraw the Offering until the issue date (i.e. until 5 October 2005), should market conditions be capable of jeopardizing the success of the Offering, at its discretion. If the Offering should be withdrawn, notice thereof will be given subsequently.

The Issuer has authorised Lehman Brothers International (Europe), Milan branch in its capacity as coordinator of the placement (hereinafter “**Lehman Brothers Milan**” or the “**Coordinator of the Placement**”) to delegate part of its activities as Coordinator of the Placement to MCC S.p.A. (hereinafter “**MCC**”) (as indicated below).

With a view to the placement of the bonds, the banks participating in the placing and underwriting syndicate group in their capacity as placing entities (the “**Placing Entities**”) shall make the Volantino per l’Offerta available at each of their branches and shall also carry out a broad advertising campaign with their clients.

During the Offering Period (from 19 to 30 September 2005) the documents related to the Offering will be available, for access only to prospective investors residing in Italy, at <http://www.lehman.com/ops>

(D) COLLECTION OF SUBSCRIPTION FORMS

The Placing Entities shall accept subscription requests set out in the appropriate subscription forms, duly signed by the investors.

In particular, the Placing Entities shall:

- (a) deliver to the applicant, prior to subscription, the Volantino di Offerta, with a subscription form;
- (b) accept any completed subscription form, provided that the forms are duly completed and signed;

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- (c) check that each subscription form has been correctly completed in all its parts and is legible;
- (d) check that the investor has signed the three pages of the original subscription form;
- (e) give a progressive numbers to each subscription form;
- (f) stamp and sign each page of the subscription form;
- (g) deliver each applicant page No. 3 of the subscription form, duly validated by same Placing Entity, with an attached copy of the terms and conditions of the bonds (*Regolamento*);
- (h) on the payment date, receive the payment for the subscribed bonds.

(E) OFFERING PRICE AND PAYMENT

The Offering price of each bond, both to the general public and to institutional investors, is equal to its denomination, i.e. Euro 1,000.

Payment for the bonds shall be made on 5 October 2005 **with no extra costs or commissions for the investors.**

For at least the entire Offering Period, and, in any case, until the closing of the Offering, Placing Entities shall not sell the bonds at a price other than the Offering price.

(F) NOTICES RELATING TO RECEIVED SUBSCRIPTIONS

Strictly before 4:15 p.m. (Milan time) on each day of the Offering, each of the Placing Entities shall notify MCC via fax (+39 06 4791 2061/2404) for the attention of Gianni Ratti (Tel. +39 06 4791 2437, e-mail: primary@mcc.it) the aggregate number of bonds subscribed in all their branches and the number of applicants.

MCC will subsequently and promptly transfer all the notices received from the Placing Entities to Lehman Brothers, Milan branch.

For the sake of uniformity, faxes shall be drafted as detailed in Annex 1 during the Offering Period and as detailed in Annex 2 after the closing of the Offering.

Notices supplied in relation to subscriptions collected on each day other than the first day of the Offering, shall mention the total amount of subscriptions already notified in the previous day.

(G) POTENTIAL EARLY CLOSURE OF THE PLACEMENT

If the Placing Entities have placed in full all the bonds **allocated to them before the final deadline set at 4:00 p.m. (Milan time) on 30 September 2005**, they shall promptly give notice of the aforesaid via fax to MCC c via fax (+39 06 4791 2061/2404) for the attention of Gianni Ratti (Tel. +39 06 4791 2437, e-mail: primary@mcc.it).

MCC will forward such information to Lehman Brothers Milan promptly and in any case before 6:00 p.m. (Milan Time) on the same date in which the relevant notice is received.

Based on any received notices, Lehman Brothers may decide to close the Offering early.

Subscription requests may only be satisfied by a distribution of the bonds available to each of the Placing Entities.

Any distribution and allocation will be done separately by each Placing Entity with respect to the subscription requests received by it in relation to the bonds.

In the event that the subscription requests received during the Offering Period are for more bonds than the Issuer can issue, MCC, in agreement with Lehman Brothers Milan, shall calculate the allotment ratio, expressed as a percentage, to be given to the Placing Entities, determined as the ratio between the principal amount of the offered bonds and the principal amount of the requested bonds. The Placing Entities will allocate the bonds to investors proportionally to the above-mentioned allotment ratio. Such allocations will be rounded off to the lowest figure and, as far as possible, will, when carried out, ensure all subscribers receive equal treatment.

(H) DELIVERY AND PAYMENT OF ALLOCATED BONDS

The bonds known as "*European Bank for Reconstruction and Development up to €250,000,000.00 Twister step Up Bonds, due 2020*" (ISIN Code IT0006596313) allocated to each of the Placing Entities shall be settled DVP (delivery versus payment) with value date on 5 October 2005, payment description: Bond Settlement.

One or two days before the value date the bank acting as agent for Lehman Brothers, Citibank Milan branch, will check the instructions by each Placing Entity on the telephone. In case of any problem (such as differences in the principal amount and/or value of the bonds, or lack of instructions) during the check, Citibank Milan branch will notify Lehman Brothers which will, in turn, contact each of the relevant Placing Entities. On the value date 5 October, Citibank Milan branch will insert the transactions into the Express system for settlement DVP RGTS.

The settlement instructions of Lehman Brothers are as follows:

- Citibank NA Milan s/a Lehman Brothers International (Europe), settlement account 60142, CED 697.

To check that the instructions are executed please contact Citibank NA Milan: Mr. Sergio Paolucci, tel. +39 02 57377923 or Mrs. Deborah Orrù, Tel. 02 57377920.

Placing Entities which are not members of Monte Titoli S.p.A. should notify on or before 19 September 2005 Gianni Ratti of MCC via fax (+39 06 4791 2061/2404, tel. +39 06 4791 2437, e-mail: primary@mcc.it), of the name of the participant to the Monte Titoli S.p.A. system to which the bonds allocated to them should be credited and the relevant Stock Exchange CED.

MCC will promptly forward such information to Lehman Brothers Milan.

(I) FURTHER UNDERTAKINGS

Each Placing Entity severally represents and warrants to the Lead Manager and to MCC (and the aforesaid representations and warranties shall be deemed to be renewed and repeated on (and including) the issue and settlement date of the bonds that the Offering (including the distribution of any Offering documents), the sale and the placement of the bonds referred to in these Rules (*Norme di Servizio*) will be conducted in compliance with the laws and regulations in force in Italy (including the *CONSOB* and the *Borsa Italiana* Regulations) and in compliance with any other obligation to provide information or any other restriction which may from time to time apply or be implemented by Italian authorities.

(J) DELIVERY OF THE DOCUMENTATION

The Placing Entities shall promptly deliver page No. 1 of the subscription forms they have collected through all their branches, to MCC for the attention of Gianni Ratti via fax (+39 06 4791 2061/2404, tel. +39 06 47912347, e-mail: primary@mcc.it), or through any other equivalent medium.

Once all the subscription forms are collected, MCC will promptly send them to Lehman Brothers Milan.

(K) STATISTICS

The Placing Entities shall, after closing of the Offering Period, promptly send the statistical data prospectus (Schedule A) duly completed, to MCC, for the attention of Gianni Ratti, via fax (+39 06 4791 2061/2404, tel. +39 06 4791 2437, e-mail: primary@mcc.it).

Once the statistical data prospectus is received by MCC, MCC will promptly send same prospectus to Lehman Brothers.

The Placing Entities are required to supply the statistical data relating to the subscriptions made with their associates.

(L) DISPUTE RESOLUTION

Any dispute or claim, which may arise with the investors, shall be resolved by each of the Placing Entities, acting on its own.

2 September 2005

SCHEDULE A

For the attention of:

PLACING AND UNDERWRITING SYNDICATE GROUP FOR THE PUBLIC PLACEMENT OF THE BOND “EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT UP TO €250,000,000.00 TWISTER STEP UP BONDS, DUE 2020” (ISIN CODE IT0006596313)

STATISTICAL DATA

Table of subscriptions by types of investors

TYPE OF INVESTORS	NUMBER OF INVESTORS	PRINCIPAL AMOUNT OF SUBSCRIBED BONDS (Euro)
HOUSEHOLDS		
JOINT-STOCK COMPANIES OR PARTNERSHIPS		
UNREGISTERED COMPANIES		
CREDIT INSTITUTIONS		
COMPANIES AND PUBLIC ENTITIES		
STOCK BROKERS, INVESTMENT FIRMS (S.I.M.)		
TRUST COMPANIES, INSURANCES COMPANIES AND SOCIAL SECURITY ENTITIES		
FINANCIAL COMPANIES		
INVESTMENT FUNDS		
TOTAL		

Stamp and signature

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ANNEX 1

Notification form of the subscriptions received during the Offering Period

From:

To: MCC S.p.A. – Capitalia Gruppo Bancario
Servizio Amministrazione
Fax 06 4791 2061/2404
Tel. 06 4791 2437
(Gianni Ratti)

**PLACING AND UNDERWRITING SYNDICATE GROUP FOR THE PUBLIC
PLACEMENT OF THE BOND “EUROPEAN BANK FOR RECONSTRUCTION AND
DEVELOPMENT UP TO €250,000,000.00 TWISTER STEP UP BONDS, DUE 2020” (ISIN
CODE IT0006596313)**

AT THE END OF THE ([OFFERING DATE]), OUR BANK HAS RECEIVED
SUBSCRIPTION FORMS FROM [NO.] OF APPLICANTS, FOR A TOTAL NUMBER
OF [BONDS] FOR A PRINCIPAL AMOUNT OF EURO.....

FROM THE BEGINNING OF THE OFFERING, OUR BANK HAS RECEIVED
SUBSCRIPTION FORMS FROM [NO.] OF APPLICANTS, FOR A TOTAL NUMBER
OF [BONDS] IN A PRINCIPAL AMOUNT OF EURO.....

PLEASE NOTE THAT THE FOLLOWING ADJUSTMENTS RELATING TO THE
NOTICES ALREADY SENT TO YOU:

.....

.....

(DATE AND SIGNATURE OF THE BANK)

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Annex 2

Notification form of the subscriptions received at the end of the Offering

From:

To: MCC S.p.A. – Capitalia Gruppo Bancario
Servizio Amministrazione
Fax 06 4791 2061/2404
Tel. 06 4791 2437
(Gianni Ratti)

PLACING AND UNDERWRITING SYNDICATE GROUP FOR THE PUBLIC PLACEMENT OF THE BOND “EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT UP TO €250,000,000.00 TWISTER STEP UP BONDS, DUE 2020” (ISIN CODE IT0006596313)

SINCE THE BEGINNING OF THE OFFERING, THE FOLLOWING SUBSCRIPTION FORMS HAVE BEEN RECEIVED BY OUR BANK IN TOTAL, FROM [NO.] OF APPLICANTS, FOR A TOTAL NUMBER OF [BONDS] FOR A PRINCIPAL AMOUNT OF EURO.....

We hereby certify and confirm the correctness and the truthfulness of the data reported above.

(DATE AND SIGNATURE OF THE BANK)

NOTA INTEGRATIVA

THIS SUPPLEMENTAL NOTICE ("NOTA INTEGRATIVA") IS MADE IN ACCORDANCE WITH THE GUIDELINES ISSUED BY THE ITALIAN BANKING ASSOCIATION (ABI)

BOND ISSUE

" EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT UP TO €250,000,000.00 TWISTER STEP UP BONDS, DUE 2020"

ISIN Code IT0006596313

1. 1. GENERAL RISK FACTORS

The structured bonds subject to this bond issue consist of a bond component and one or more derivative components. The derivative component consists of the purchase and/or sale, by the investor in the structured bond, of one or more derivative instruments, the value of which is determined by the performance of financial instruments and/or parameters linked thereto (securities, indexes, currencies, swap rates, etc.).

For their features, structured bonds are instruments characterized by an intrinsic complexity which makes their risks hard to evaluate, both when they are purchased and during their life.

The investor is advised to read Section III (Information on the risks of the transaction) contained in the Information Sheet (*Foglio Informativo*) whilst referring to the Glossary prepared by the Italian Banking Association which will be available at the branch of each bank.

Investors are advised to invest in these type of securities only if they have fully understood their nature and their degree of risk.

2. 2.SPECIFIC RISK FACTORS

This bond has the typical risks borne by an investment in securities linked to the differential between Euro Swap rates (CMS 10 - CMS 2): although the bonds are principal protected, the performance of these securities cannot be calculated in advance and they bear all the risks of investments in securities linked to the difference between Euro Swap rates (CMS 10 - CMS 2).

If traded on secondary market, such investment has, on the one hand, the risks of any other fixed rate bond (see interest risk definition under the Glossary), and, on the other hand, the risks of floating rate bonds linked to the fluctuation of the difference between Euro Swap rates (CMS 10 - CMS 2).

During the offering period (from 19 September 2005 to 30 September 2005) the documents related to the offering will be available, for access only by prospective investors residing in Italy, at <http://www.lehman.com/ops>

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3. 3. OUTLINE OF THE RISKS AND PERFORMANCE OF THE BONDS COMPARED WITH OTHER LOW RISK GOVERNEMENT BOND (BUONI DEL TESORO PLURIENNALI) WITH SIMILAR MATURITY

Please note that the issuer did not provide the data for the calculation set out in the table below nor it has carried out the calculations set out in the table.

The content of the following paragraphs has been provided by Lehman Brothers International (Europe) on 2 September 2005 (based on the data available on the same date) for information purposes only.

Date of calculation: 2 September 2005 (based on the data available on the same date)

	BTP 4.50% 1 February 2020 ISIN Code IT0003644769	"European Bank for Reconstruction and Development up to €250,000,000.00 Twister Step Up Bonds, due 2020" ISIN Code IT0006596313
Maturity	1 February 2020	5 October 2020
Risk *	Low	Medium
Actual Gross Yield	3.54% gross per annum	3.62% annual gross (taking into account Case A (neutral scenario), as described in Section III (<i>Information on the risks of the transaction</i>) of the Information Sheet)

*** On an investment risk scale from a low degree of risk to a high degree of risk (assuming that an investment in a BTP, which grants at fixed dates, for a certain time, a fixed yield and the redemption of the invested principal amount, constitutes a low-risk investment) an investment in the "European Bank for Reconstruction and Development up to €250,000,000.00 Twister Step Up Bonds, due 2020", can constitute a medium-risk investment. As a matter of fact, "European Bank for Reconstruction and Development up to €250,000,000.00 Twister Step Up Bonds, due 2020" grants at fixed dates certain payments and might pay at certain dates floating interest. It may also be subject to early redemption, but guarantees the redemption of principal in full at maturity and a minimum annual yield to maturity of 1.51% (as shown in Section III, "Information regarding the risks of the transaction" of the Information Sheet).**

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4. **4. RECOMMENDATION TO READ THE GLOSSARY DRAFTED BY THE ITALIAN BANKING ASSOCIATION**

The investor is advised, when reading the Information Sheet (*Foglio Informativo*), to refer to the Glossary drafted by Italian Bank Association available at each branch of the bank.

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2 September 2005

INFORMATION SHEET (*Foglio Informativo*)

prepared in accordance with the Transparency Rules for banking transactions and services

Bonds known as "European Bank for Reconstruction and Development Bonds up to €250,000,000.00 Twister Step Up Bonds, due 2020"

ISIN Code IT0006596313

The investor should make an investment in the bonds on the occasion of this offering only after becoming acquainted with the nature and extent of the risks involved in the investment. The contents of this Information Sheet should therefore be read with due consideration. To obtain information on the performance of the bonds, paragraphs 10 and 11 of Section II (Information as to the nature of the issue) and the illustration provided in Section III (Information regarding the risks of the transaction) of this Information Sheet should be read carefully.

The offering documents in respect of the bonds comply with the "Guidelines on information to be provided to investors" and with relevant legislation. This Information Sheet should be read together with the attached "Schedule".

The terms and conditions relating to the bonds described in this Information Sheet are for information purposes only and the terms and conditions binding on the Issuer (as defined below) are exclusively those contained in the Terms and Conditions (Regolamento).

The bonds subject of this offering are structured securities; it is advisable that the definition of this term in the Glossary enclosed hereto is read carefully. Terms in bold and underlined typeset are of a technical financial nature and their definition can be found in the "Glossary for the investor in subordinated structured securities" enclosed hereto. If the term cannot be found there, reference should be made to the attached "Schedule".

During the offering period (from 19 September 2005 to 30 September 2005) the documents regarding the offering will be available, for access only to prospective investors residing in Italy, on <http://www.lehman.com/ops>

I. INFORMATION REGARDING THE ISSUING BANK

1. Name and legal status

The issuer is the European Bank for Reconstruction and Development and is a supranational organization (with Italy among its members) established pursuant to the agreement executed in Paris on 29 May 1990, which was implemented by Law No. 53 of 11 February 1991 (the "Issuer").

2. Administrative office

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The Issuer has its administrative office at One Exchange Square, London, EC2A 2JN, United Kingdom.

3. **Website**

<http://www.ebrd.com>

4. **Number in the Register of Banks held by the Bank of Italy**

The Issuer is not registered with any Register of Banks held by the Bank of Italy.

5. **Banking Group**

The Issuer does not belong to any Italian or non-Italian banking group.

6. **Number of Companies' Register or of any other equivalent register**

The Issuer is not registered with any Register of Companies or any equivalent register.

7. **Share capital and reserves reported in the most recent approved financial statements**

As of the latest approved balance sheet, the Issuer's authorised capital was equal to Euro 20 billion (of which Euro 5 billion is paid in).

8. **Conflict of interest**

Not applicable.

9. **Rating of the Issuer**

The Issuer has the following ratings as of 2 September 2005:

Moody's Investors Services Limited: Aaa.

Standard & Poor's Ratings Services: AAA.

Fitch Ratings Ltd: AAA.

10. **Competent Supervisory Authority**

Not applicable.

II. INFORMATION AS TO THE NATURE OF THE ISSUE

1. **Name of the Bonds and centralized administration of the Bonds**

The Bonds are known as "*European Bank for Reconstruction and Development up to €250,000,000.00 Twister Step Up Bonds, due 2020*" (the "**Bonds**"). The Bonds will be admitted to the dematerialised securities clearing system managed by Monte Titoli S.p.A. ("**Monte Titoli**") pursuant to Legislative Decree No. 213 of 24 June 1998. Clearing may also take place indirectly through the Euroclear and Clearstream systems.

The Issuer has the right to issue further bonds with the same features, fully fungible with these Bonds.

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2. **Number of securities and minimum denomination**

Up to 250,000 Bonds, each with a denomination of Euro 1,000 (the "**Denomination**").

3. **Currency of the Bonds**

Euro.

4. **Denomination and principal minimum and maximum amount of the Bonds**

The denomination of each of the Bonds is Euro 1,000. The total principal amount of the Bonds is from a minimum of Euro 100,000,000.00 up to a maximum of Euro 250,000,000.00.

5. **Issue price and redemption price**

The Bonds will be offered at par (100.00% of the principal amount) i.e. at a price of Euro 1,000 each. The Bonds will redeem at par (100.00% of the principal amount).

The financial profile of the Bonds is similar to that of a bond component and an embedded derivative component (including an embedded option for early redemption).

The table below shows the bond component (assuming that the Bonds will be redeemed at maturity, on 5 October 2020) and the derivative component with reference to the issue price of the Bonds (for further details please see Section III (*Information regarding the risks of the transaction*) of this Information Sheet, paragraph 2). It must be noted that the following calculations have been provided by Lehman Brothers International (Europe) as of 2 September 2005 (on the basis of available data at the same date).

Bond Component	78.25%
Derivative Component	18.75%
Commissions	3.00%
Total	100.00%

6. **Placement and underwriting commissions**

Placement and underwriting commissions of 3.00% of the principal amount of the Bonds will be payable and will be deducted from the proceeds of the Bonds.

7. **Date of opening and closing of the placement. Discretion to close the offering period early**

Subscriptions will be accepted commencing on 19 September 2005 to 30 September 2005 (the "**Offering Period**") – except for early closing of the offering, which would be determined without prior notice – and will be fulfilled by the Bonds available at each of the placing entities. This offering is directed to both the general public and professional investors in Italy and no offering will be conducted outside the Republic of Italy.

8. **Issue date**

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The Bonds are issued on 5 October 2005 (the "**Issue Date**").

9. **Maturity and status of the Bonds**

The term of the Bonds will be fifteen years. The Bonds are issued on 5 October 2005 and will redeem on 5 October 2020 (the "**Redemption Date**") (except in the case of early redemption) (please see paragraph "*Early Redemption*" below).

The Bonds constitute unsecured and unsubordinated obligations of the Issuer ranking *pari passu*, without any preference to all other obligations of the Issuer that are unsecured and unsubordinated.

10. **Interest period, payment dates and amount**

As of the Issue Date, the Bonds will bear interest calculated on their principal amount at 5.00% gross per annum for the first year and at 4.00% gross per annum for the second year, calculated on an Actual/Actual - ISMA basis (the "**Fixed Coupons**") and are subject to the tax regime described in paragraph 21 below. Such interest will become payable on 5 October 2006 and 5 October 2007 (each, hereinafter, a "**Fixed Interest Payment Date**") respectively, subject to the Following Business Day Convention, as defined in paragraph 12 below. Commencing on the third year, and for each subsequent year until maturity, the Bonds will bear interest on the principal amount calculated as follows:

- commencing on 5 October 2007 (included) until 5 October 2012 (excluded), an amount calculated pursuant to the following formula:

3 x (CMS 10 – CMS 2)

with a minimum coupon of 1.00% and a maximum coupon of 8.00% (the "**First Floating Coupons**")

- commencing on 5 October 2012 (included) until 5 October 2016 (excluded), an amount calculated pursuant to the following formula:

4 x (CMS 10 – CMS 2)

with a minimum coupon of 1.00% and a maximum coupon of 8.00% (the "**Second Floating Coupons**")

- commencing on 5 October 2016 (included) until the Redemption Date (excluded), an amount calculated pursuant to the following formula:

5 x (CMS 10 – CMS 2)

with a minimum coupon of 1.00% and a maximum coupon of 8.00% (the "**Third Floating Coupons**", and together with the First Floating coupons and the Second Floating Coupons, the "**Floating Coupons**")

Where:

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"CMS 10" means the annual swap rate for Euro swap transactions with a maturity of ten years, expressed as a percentage, which appears on the Reuters page ISDAFIX2 (or any other page that may replace such page for such service) under the heading "EURIBOR BASIS - EUR" and above the caption "11:00 A.M. Frankfurt" as of 11:00 a.m. Frankfurt time on the Determination Date (as defined below).

"CMS 2" means the annual swap rate for Euro swap transactions with a maturity of two years, expressed as a percentage, which appears on the Reuters page ISDAFIX2 (or any other page that may replace such page for such service) under the heading "EURIBOR BASIS - EUR" and above the caption "11:00 A.M. Frankfurt" as of 11:00 a.m. Frankfurt time on the Determination Date (as defined below).

"CMS 10 – CMS 2" means the difference between CMS 10 and CMS 2.

"3 x (CMS 10 – CMS 2), less 1.00% (with a minimum of 0.00% and a maximum of 7.00%)" means the floating part of the First Floating Coupons (the "**First Floating Part**").

"4 x (CMS 10 – CMS 2), less 1.00% (with a minimum of 0.00% and a maximum of 7.00%)" means the floating part of the Second Floating Coupons (the "**Second Floating Part**").

"5 x (CMS 10 – CMS 2), less 1.00% (with a minimum of 0.00% and a maximum of 7.00%)" means the floating part of the Third Floating Coupons (the "**Third Floating Part**", and together with the First Floating Part and the Second Floating Part, the "**Floating Parts of the Floating Coupons**").

If CMS 10 and/or CMS 2 do not appear on the Reuters page ISDAFIX2 (or any replacing page or other relevant page) at 11:00 a.m. Frankfurt time on the Determination Date (as defined below) for any Calculation Period, the Determination Agent (as defined in paragraph 28 below) may determine a substitute value for such unavailable rate by requesting five major market participants selected by the Determination Agent to provide such rate, and in accordance with the following criteria: (i) if at least three quotations are provided, the rate for the relevant Calculation Period will be the arithmetic average of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest) and (ii) if less than three quotations are provided, the rate for the relevant Calculation Period will be fixed at the reasonable discretion of the Determination Agent, acting in good faith and in a commercially reasonable manner.

Each Floating Coupon cannot be in any case less than 1.00% gross per annum for the relevant Calculation Period.

Each Floating Coupon cannot be in any case greater than 8.00% gross per annum for the relevant Calculation Period.

Interest on the Floating Coupons, calculated on an Actual/Actual ISMA basis and subject to the tax regime described in paragraph 21 below, will become payable on 5 October of each year from 2008 to 5 October 2020 ("**Floating Interest Payment Date**" and together with the Fixed Interest Payment Date, the "**Payment Date**"), subject to the *Following Business Day Convention*, as defined in paragraph 12 below.

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"Determination Date" means the day that is 5 (five) Business Days preceding the first day of each Calculation Period.

"Calculation Period" means the period commencing on (and including) 5 October in each year to (but excluding) 5 October in the following year. For the avoidance of doubt, the initial Calculation Period commences on 5 October 2005 (included) and ends on 5 October 2006 (excluded).

"Actual/Actual - ISMA" means the number of days from (and including) the date on which interest begins to accrue during the relevant Calculation Period to (but excluding) the date on which interest falls due, divided by the actual number of days in the relevant Calculation Period.

"Business Day" means a day on which the Trans-European Automated Real Time Gross Settlement Express Transfer (TARGET) is operating and on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

The table below shows the relevant yield for certain and uncertain coupons (assuming the early redemption option of the Issuer is not exercised, please see paragraph 15 below).

Certain coupons

Uncertain coupons

Year 1: 5.00%	Not applicable
Years 2: 4.00%	Not applicable
Years 3-7: 1.00%	3 x (CMS 10 - CMS 2), less 1.00%, (with a minimum of 0.00% and a maximum of 7.00%) (so that, including the certain coupon, the total maximum annual interest is equal to 8.00%).
Years 8-11: 1.00%	4 x (CMS 10 - CMS 2), less 1.00%, (with a minimum of 0.00% and a maximum of 7.00%) (so that, including the certain coupon, the total maximum annual interest is equal to 8.00%).
Years 12-15: 1.00%	5 x (CMS 10 - CMS 2), less 1.00%, (with a minimum of 0.00% and a maximum of 7.00%) (so that, including the certain coupon, the total maximum annual interest is equal to 8.00%).

It must be noted that:

- as of 2 September 2005, CMS 10 was equal to 3.18%.
- as of 2 September 2005, CMS 2 was equal to 2.28%.
- as of 2 September 2005, the difference CMS 10 – CMS 2 was equal to 0.90%.

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11. **Actual rate of yield and method of calculation**

The actual yield of the Bonds is fixed for the first two years and then becomes floating commencing on 5 October 2007 based upon the value of (CMS 10 – CMS 2) during the life of the Bonds; therefore, it is not possible to indicate the annual gross yield of the Bonds. However, the minimum gross yield at maturity is equal to 1.51% on an annual basis.

12. **Terms and conditions of payment of interest**

Interest will be paid within the Monte Titoli system, through its authorized intermediaries. If any payment in respect of these Bonds does not fall on a Business Day (as defined above), then such payment will be made on the immediately following Business Day ("**Following Business Day Convention**"), provided that the subsequent scheduled Payment Dates will not be subject to any change and no right to payment of interest for any additional days will accrue.

13. **Rights and benefits connected to the Bonds**

The Bonds include all the rights and benefits provided under current legislation with reference to securities of the same type.

14. **Bonds repayment and redemption**

The Bonds will be redeemed on 5 October 2020 through authorized intermediaries of Monte Titoli. The principal will be redeemed at par (100.00%), with no deductions for expenses. The Bonds will cease to bear interest on the Redemption Date.

15. **Early redemption**

Commencing on 5 October 2012 (the "**First Call Date**"), and on each subsequent Payment Date, the Issuer has the right to redeem the Bonds at 100.00% of their principal amount, by giving 10 Business Days' prior notice to the bondholders.

16. **Deferment clauses of the rights pertaining to the Bonds**

None.

17. **Guarantees and commitments undertaken to ensure a successful outcome of the Bonds**

None.

18. **[Redemption premium and/or any other elements contributing to the determination of the Bonds' yield](#)**

None.

19. **Prescription of interest, principal and related rights**

Bondholders' right to interest will be prescribed after five years from each Payment Date; bondholders' right to principal will be prescribed after ten years from the Redemption Date.

20. **Distribution criteria**

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Any distribution and allotment will be done separately in connection with the subscriptions received.

In the event that the subscriptions received during the Offering Period are for more Bonds than the Issuer can issue, the Lead Manager (as defined below at paragraph 28) through MCC S.p.A. shall calculate the allotment ratio, expressed as a percentage, to be given to the placing entities, determined as the ratio between the principal amount of the offered Bonds and the principal amount of the requested Bonds. The placing entities will allocate the Bonds to investors proportionally to the above-mentioned allotment ratio. Such allocations will be rounded off to the lowest figure and, as far as possible, will be carried out pursuant to the principle of equal treatment.

21. **Tax regime**

The following is intended to be a summary of the tax regime applicable to Bonds and to certain categories of investors resident in Italy who hold such Bonds.

Investors resident in Italy must consult their advisors in relation to the tax regime provided for buying, owning and selling the Bonds.

Interest, premium and any other gains on the Bonds (including the difference, if any, between the amount gained at maturity and the issue price), received by companies resident for tax purposes in Italy are not subject to withholding tax and are included in the taxable income of the same companies to calculate corporate income tax ("**IRES**") and, in some cases, the regional tax on productive activities ("**IRAP**"). Interest, premium and other gains on the Bonds (including the difference, if any, between the amount gained at maturity and the issue price) received by individuals resident for tax purposes in Italy, are subject to an *imposta sostitutiva* of income tax, currently levied at 12.50%, pursuant to the provisions of Legislative Decree No. 239 of 1 April 1996, as amended.

Pursuant to the combined provisions of Article 67 of Presidential Decree No. 917 of 22 December 1986 and of Article 5 of Legislative Decree No. 461 of 21 November 1997, as subsequently amended, appreciations, which are not capital gains, different from those received in connection with the performance of an artistic, professional or entrepreneurial activity, and gained by individuals resident for tax purposes in Italy by way of at-arm's-length sale or redemption of the Bonds, are subject to *imposta sostitutiva*, currently levied at the rate of 12.50%.

Such *imposta sostitutiva* is applied pursuant to the ordinary regime provided by Article 5 (so-called declaration regime), or pursuant to the optional regimes set forth by Articles 6 (so-called administrative savings) and 7 (so-called portfolio management) of the above mentioned Legislative Decree No 461/1997.

Appreciations realized by companies resident in Italy for tax purposes are part of the taxable income of the same for IRES and, in some cases, IRAP purposes.

22. **Restrictions imposed by the conditions of issue on the free trading of the Bonds**

None.

23. **Other charges, conditions or burdens affecting the bondholders' rights**

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None.

24. **Further rights related to the Bonds**

None.

25. **Markets on which it is expected that the Bonds will be traded**

Once all the formalities of current legislation have been complied with and after verifying that the requirements of the “Regulations of Markets Organized and Managed by *Borsa Italiana S.p.A.*” as to circulation and the amount involved are met, an application will be made to *Borsa Italiana S.p.A.* for an official listing of the Bonds on the *Mercato Telematico delle Obbligazioni e dei titoli di Stato* (M.O.T.) organized and managed by *Borsa Italiana S.p.A.* Clearing will also take place indirectly through Euroclear and Clearstream.

26. **Commitments to provide prices**

None.

27. **Notices**

Any notice by the Issuer to bondholders shall be made, except where otherwise provided by law, through an announcement published in a daily newspaper having national circulation or in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*).

Any notice regarding ordinary matters to be made by the Issuer to bondholders may also be made through the Monte Titoli system for it to give the necessary notices to the entitled account holders. Any notice delivered to Monte Titoli in accordance with this Article will be deemed to have been made to the bondholders on the day on which the notice is delivered to Monte Titoli.

28. **Third parties engaged for services connected with the issue**

Third parties in charge of the placement

The Bonds are offered by a placement and underwriting syndicate group headed by Lehman Brothers International (Europe) (the “**Lead Manager**”) and coordinated by Lehman Brothers International (Europe), Milan branch (the “**Coordinator of the Placement**”).

It must be noted that the Issuer has authorised the Coordinator of the Placement to delegate part of its functions to MCC S.p.A.

Calculation and Principal Paying Agent

The Calculation and Principal Paying Agent of the Bonds is Citibank N.A., London branch, with registered office at 5 Carmelite Street, London, EC4Y 0PA, United Kingdom.

Local Paying Agent

The Local Paying Agent of the Bonds is Citibank N.A., Milan branch, with registered office at Foro Bonaparte, 16, 20121 Milan.

Determination Agent

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The Determination Agent of the Bonds is Lehman Brothers International (Europe) with registered office at 25 Bank Street, London, E14 5LE, United Kingdom.

29. **Governing Law and Jurisdiction**

The Bonds shall be governed by Italian law. Any dispute connected with the Bonds or this Information Sheet will be discussed before the Court of Milan, without prejudice to the provisions of article 1469 *bis*, second paragraph, of the Italian Civil Code.

The holding of Bonds implies the full acceptance of all the conditions established in this Information Sheet and in the Terms and Conditions of the Bonds (*Regolamento*).

III. INFORMATION REGARDING THE RISKS OF THE TRANSACTION

1. Types of risk specific to an investment in these Bonds

The structured bonds known as "*European Bank for Reconstruction and Development up to €250,000,000.00 Twister Step Up Bonds, due 2020*" warrant to investors a payment of a fixed gross annual coupon of 5.00% for the first year and a fixed gross annual coupon of 4.00% for the second year of the life of the Bonds as well as repayment of invested principal in full. The above interest will be payable on 5 October 2006 and 5 October 2007 and will be subject to the tax regime described under Section II (*Information as to the nature of the issue*), paragraph 21 above. Commencing on the third year and for each year thereafter, interest payments are linked to floating rate determined as follows: a factor varying through the years of life of the Bonds multiplied by the difference between the CMS 10 and CMS 2.

Each Floating Coupon cannot be in any case less than 1.00% gross per annum nor greater than 8.00% for the relevant Calculation Period (see the previous Section II (*Information as to the nature of the issue*) paragraph 10).

The Floating Coupons are payable on 5 October of each year, commencing on 2008 and continuing until 2020, subject to the tax regime described under Section II (*Information as to the nature of the issue*), paragraph 21 above (assuming that the Bonds will not be subject to early redemption).

2. Notes on the risks pertaining to the investment

The following paragraphs have been provided for information purposes only, by Lehman Brothers International (Europe) on 2 September 2005 (based on the data available as of that date).

The financial profile of the Bonds is similar to the spread of a bond component and an embedded derivative component (including an embedded early redemption option). Moreover, the investor must take into account the usual risk which would be typical of an investment in bonds (the so-called "Financial Risks").

Bond component

Assuming that the Bonds will be redeemed at maturity (on 5 October 2020), the bond component is represented by a fixed-interest bond with an annual coupon for the first two years (in this case equal to 5.00% of the principal amount for the first year and 4.00% of the principal

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amount for the second year) and then with an annual fixed coupon of 1.00% until maturity (on 5 October 2020, the date in respect of which the redemption of principal at par is guaranteed) with a price equal to 78.25% of the principal amount (as indicated in the Table at Section II (*Information as to the nature of the issue*) paragraph 5).

Such bond component has been valued, as of 2 September 2005, on the basis of the following assumptions:

- (I) The Bonds are redeemed at maturity (on 5 October 2020);
- (II) Certain coupons are taken into account (in this case 5.00% for the first year, 4.00% for the second year and 1.00% for the following years until 5 October 2020);
- (III) The market rates for the swap curve are as determined in Euro on 2 September 2005;
- (IV) The price of the bond component is subsequently calculated with the above market rates (taking into account the credit spread to which the Issuer's bonds are subject).

Subject to the above assumptions, the value of the bond component will be represented by the value of the "certain coupons" flows and the redemption amount of the Bonds.

It must be further emphasized that, as described in Section II (*Information as to the nature of the issue*) paragraph 10, the Bonds, commencing on the third year, pay the Floating Parts of the Floating Coupons, the yield of which is linked to the difference between CMS 10 and CMS 2. The value of the Floating Parts of the Floating Coupons cannot be less than 0.00% or greater than 7.00% on an annual basis¹.

Derivative component

The embedded derivative component of the Bonds represents the exposure of the Bonds to the slope of the Euro rates curve (in this case, the difference between the CMS 10 and CMS 2) and the embedded redemption option, which may be valued at 18.75% of the notional amount (as mentioned in the Table in Section II (*Information as to the nature of the issue*) paragraph 5).

In particular, this component has been valued on the basis of the swap curve yield as of 2 September 2005, using the "**Multifactor HJM Model**" method.

3. Financial Risks

Interest rate and fluctuation of the underlying risk

This risk is connected with the variations in interest rates: an increase in the market rate of interest leads to a decrease in the market value of the Bonds. The pay-out of the Bonds may vary in a negative way for the investors due to the variability of CMS 10 – CMS 2. If CMS 2 rises faster than CMS 10, the Bonds will underperform relative to traditional floating rate securities.

Price risk

¹ It follows that the Floating Coupons shall be between 1.00% per annum (minimum guaranteed coupon during the period of payment of the Floating Coupons) and 8.00% per annum (which is the maximum coupon value).

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The trend in interest rates may have an impact on the market price of the Bonds, leading to price fluctuations over the life of the Bonds. If the investor wished to sell the Bonds prior to their natural maturity of 15 years, their value could as a result be lower than the issue price (100.00% of the principal amount). The fact that the investor is guaranteed repayment of principal on maturity enables the investor, however, to recover the whole amount of the invested capital, whatever the trend in interest rates may be.

Liquidity risk

This risk is represented by the impossibility or difficulty for the investor to liquidate his investment prior to maturity. A listing on the M.O.T. held by *Borsa Italiana S.p.A.* is expected to take place.

Issuer risk

The investor in the **structured** bond known as "*European Bank for Reconstruction and Development up to €250,000,000.00 Twister Step Up Bonds, due 2020*" becomes a lender to the European Bank for Reconstruction and Development and thereby acquires the right to repayment in full of the invested principal. If, however, the Issuer is unable for financial reasons to make this repayment, such a right could be prejudiced.

Early redemption risk

Considering that the Issuer has the right to redeem the Bonds early, commencing on the First Call Date, the investor may have to accept the redemption of the Bonds at par, even if on the Redemption Date the Bonds offer a yield which is greater than the current market yield. The investor may, therefore, not be able to re-invest any repaid principal at the yield as that of the redeemed Bonds for the period remaining up to the Bonds' scheduled maturity date.

4. Sale of the Bonds

The guarantee of principal redemption in full at maturity allows the investor to receive any originally invested principal. However, if the investor intends to sell the Bonds before their stated maturity (fifteen years), the value of the Bonds might fall below the subscription price (100.00% of the principal amount), and the investor might incur capital losses.

5. Illustration of the performance of the securities being issued

The following paragraph has been provided by Lehman Brothers International (Europe) on 2 September 2005 (on the basis of the data available as of that date) for information purposes only.

	<i>Scenario</i>	<i>Annual Coupon</i>	<i>Annual gross yield at maturity*</i>	<i>Yield of the <u>Benchmark</u></i>

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Case A (Neutral case**)	CMS 10 – CMS 2 = 0.90%, and the Bonds are not subject to early redemption	Year 1: 5.00% Year 2: 4.00% Years 3-7: 2.70% Years 8-11: 3.60% Years 12-15: 4.50%	3.62%	The yield of a BTP 4.50% due 1 Feb 2020 (IT0003644769) is 3.54%
Case B (Least favourable case)	CMS 10 – CMS 2 < 0.33% from the third to the seventh year, and CMS 10 – CMS 2 < 0.25% from the eighth to the eleventh year, and CMS 10 – CMS 2 < 0.20% from the twelfth to the fifteenth year, and the Bonds are not subject to early redemption	Year 1: 5.00% Year 2: 4.00% Then: 1.00% up to the fifteenth year	1.51%	The yield of a BTP 4.50% due 1 Feb 2020 (IT0003644769) is 3.54%
Case C (Most favourable case)	CMS 10 - CMS 2 equal to 1.50%, and the Bonds are subject to early redemption at the end of the seventh year	Year 1: 5.00% Year 2: 4.00% Years 3-7: 4.50%	4.50%	The yield of a BTP 5.00% due 1 Feb 2012 (IT0003190912) is 2.80%

*Assuming an issue price equal to 100.00%.

** 0.90% is the current value of the difference between CMS 10 and CMS 2 as of 2 September 2005.

6. Guarantee

The Bonds are not covered by the guarantee of the Fondo Interbancario di Tutela dei depositi (Interbank Fund for the Protection of Deposits).

SCHEDULE I

EXPLANATORY NOTES FOR THE CLIENT AS TO THE DEFINITIONS USED IN THE INFORMATION SHEET ON THE STRUCTURED BONDS "EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT UP TO €250,000,000.00 TWISTER STEP UP BONDS, DUE 2020" ISIN Code IT0006596313

ACCRUAL DATE: the date on which coupons and other proceeds of the bonds are payable.

ACTUAL GROSS YIELD: means the yield of the bonds before taxation, provided that interest rate applicable has been calculated, together with any premium, or any positive differential between the redemption price and the issue price.

BANK REGISTER: the bank register kept by the Bank of Italy pursuant to Legislative Decree No. 385 of 1 September 1993, in which are recorded all banks authorized in Italy and the subsidiaries of all European banks established in Italy.

BOND COMPONENT: see Glossary under "Bond".

DATE OF ISSUE: the date on which the securities will be issued.

DENOMINATION: the face value at which the Issuer is committed to repay a security on maturity. It is also the amount on which coupons are calculated.

DENOMINATION OF THE BONDS: means the principal unit value for each of the bonds.

DERIVATIVE COMPONENT: see Glossary under "Derivative".

FONDO INTERBANCARIO DI TUTELA E DEPOSITI (*Interbank Fund for the Protection of Deposits*): a private consortium, established in accordance with Legislative Decree no. 659 of 4 December 1996 and recognized by the Bank of Italy in December 1996. All Italian banks, other than lenders to cooperatives, are members of this consortium, whose aim is to provide a guarantee to depositors with syndicate members, up to the limits provided. The Fund intervenes in the case of compulsory winding-up (*liquidazione coatta amministrativa*) and receivership (*amministrazione straordinaria*), subject to obtaining the prior authorization of the Bank of Italy. The funds for these interventions are provided by the member banks upon request of the Fund, after the appearance of signs that a bank is in difficulty.

ISSUE PRICE: means the initial price at which the bonds are issued. Such a price may not correspond to the price at which the bonds may be sold after the issuance.

MONTE TITOLI: an institute for the deposit and clearing administration of financial instruments, including dematerialised instruments.

MULTI FACTOR HJM (or HEATH-JARROW-MORTON): a framework used to price financial securities (options) which is based on no-arbitrage conditions between underlying basic securities (e.g. bond prices) and derivatives. Basic HJM is based on modeling future realizations of forward rates. More advanced multi-factor HJM allows for several stochastic drivers (for instance one driving parallel moves of the interest rate curve, and another driving the steepness of the curve.)

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PERFORMANCE: this expression is used to indicate a percentage variation in the value of an investment and is usually calculated as the ratio between a net change (positive or negative) and a reference value of an investment.

PRESCRIPTION: this describes the period of time during which rights must be exercised. If the rights are not exercised within that period, it becomes time-barred, i.e. the right is lost.

PRINCIPAL AMOUNT: face value of redemption of the bonds and amount on which the interest flows are calculated.

SOLICITATION: means the offering period of the bonds preceding the issuance of the bonds.

SUBORDINATION CLAUSES: means the presence in the terms and condition of the bonds of deferment clauses according to which claims arising from the bondholders against the Issuer are subordinated in respect of other claims arising from other creditors of the Issuer who do not have the same priority.

TARGET (system) (*Trans-European Real Time Gross Settlement Transfer System*): The real-time gross settlement system which the central banks of the European Union have created for the third stage of the European Monetary Union to manage payments of large amounts in the single currency. It is composed of national settlement systems and the infrastructure needed to link these together.

SCHEDULE II

GLOSSARY FOR THE INVESTOR IN SUBORDINATED AND STRUCTURED SECURITIES

This Glossary complies with the ABI (Italian Banking Association) Guidelines regarding information to be supplied to a subscriber in subordinated and structured securities

BASIS POINT: the *basis point* is the unit used to measure a *spread*, i.e. a variation in interest rates, equal to one-hundredth of a percentage point. If rates rise from 9.65% to 9.80%, then the increase is 15 basis points (bps).

BENCHMARK: a financial parameter or index or financial instrument which, due to its representative characteristics (e.g. a wide distribution of subscribers), is considered by intermediaries as a reference point in understanding if a security of identical characteristics achieves, over a given period, a better or worse performance in terms of yield with respect to the benchmark.

BOND: a debt security through which the issuing bank promises to repay the capital deposited on maturity.

BTP (Buoni del Tesoro Poliennali): securities issued by the Italian Treasury with mid- or long-term maturity, a fixed interest rate and a six-monthly coupon.

CAP: an option (see definition) on an interest rate, traded outside the regulated markets, under which a maximum limit is fixed on the increase of the return of a given financial instrument.

COUNTERPARTY RISK: the risk that a counterparty (for example in the case of derivative contracts) does not fulfil his contractual obligations on maturity.

DERIVATIVE: a generic name given to a financial instrument whose price or yield is the result of the price or return parameters of other primary financial instruments, known as underlyings (see definition), which may be financial instruments, indices, interest rates, currencies or raw material prices.

EARLY REDEMPTION RISK: if the Issuer reserves the right to redeem a security early, the subscriber could find himself in the position of having to accept the redemption of a security at par, at a time when the security offers a return greater than that offered by the market at that date. As a result, the subscriber may not be able to reinvest the capital redeemed early and achieve the same return over the period up until the original maturity date of the security.

EXCHANGE RISK (Securities denominated in foreign currency): the price in Euro of the coupon and principal of a bond denominated in another currency may fluctuate in a favourable or unfavourable direction for the subscriber due to variations in the rate of exchange of that currency with the Euro.

FLOOR (see also option): a derivative based on an interest rate for which a minimum return on a certain asset is fixed.

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FUTURES CONTRACT: a derivative contract, generally traded on regulated markets, by means of which the parties agree to buy or sell a certain number of financial instruments at a certain date and at a price determined on signing the contract.

HEDGING: an operation carried out by the owner of securities or by the Issuer to ensure that any losses which may arise from the security if prices move in an unfavourable direction are recovered.

ISSUER RISK: this represents the probability (credit risk) that the Issuer of a bond is unable to fulfil their obligations to pay interest or redeem capital.

KNOCK IN, KNOCK OUT (clause): a clause under which a predetermined option comes into or goes out of effect on the occurrence of a specific event, indicated in the Information Sheet.

LIQUIDITY RISK: the risk for the investors to have to accept a reduction in the price of a security if they decide to sell prior to maturity due to the difficulty in finding a counterparty willing to buy.

MARKET CAPITALISATION (of an individual security): the product of the quoted price of a share and the number of shares making up the share capital.

MARKET INDEX: a representative measure of the trend of the price of quoted securities.

MARKET MAKER: an intermediary who is obliged to publish purchase and sale prices at which other intermediaries may sell to him or buy from him a certain number of securities.

MARKET RISK: the risk to which an investor in financial instruments is subject as a result of variations in the trend of the prices of the security due, for example, to movements in interest rates (see rate risk) or exchange rates (see exchange risk).

MONTECARLO (SIMULATION): numerical calculation method which allows the resolution of mathematical problems through stochastic procedures based on the “law of large numbers”. Such calculation methods are used in finance, *inter alia*, to determine the value of derivative instruments (e.g. options).

OPTION (Option contract): a derivative contract under which by the payment by one party of an amount (the premium) to another party, the first party acquires the right to buy (call option) or sell (put option) a certain number of financial instruments at an agreed price (the exercise price) at a future date. In the case of options based on indices, instead of buying a certain number of financial instruments, the right is acquired to receive or pay an amount equal to the product between the value conventionally assigned to each point of the reference index and the difference obtained from the value of the index (determined on signing the contract) and the value of the index at the date on which the right is exercised. The distinction is made between a European option, which may be exercised only at the agreed date, and an American option, which may be exercised at any time before the expiry date.

OPTION (Value of): the value of an option is given by two components: its intrinsic value and its time value. In a call option, the intrinsic value is the difference (if positive) between the spot price (see definition) of the underlying instrument and the exercise price (see definition). The time value depends on the volatility of the underlying instrument.

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PRICE RISK: see Rate Risk below.

PRICE SPREAD: the difference between the sale price and the purchase price offered by an intermediary.

PRICING: the procedure by which the placing price of securities is determined.

RATING (Rating agency): a company which is independent of industrial commercial and financial groups, specializing in assigning an opinion on issuers or on financial instruments through the use of letters or figures (such as AAA; AA; A+; BBB; BB; B-) as to the ability of the Issuer to repay its issued financial instruments or as to the probability of default by the Issuer on a specific financial instrument.

RATE RISK: the risk connected with the variation in interest rates: an increase in market rates leads to a decrease in the market value of a security and vice-versa.

REVERSE CONVERTIBLE: a structured security which assigns to the Issuer the possibility to convert the capital to be repaid into shares on the occurrence of a certain event.

RISK IN THE VARIATION OF THE UNDERLYING (For structured securities): this expresses the likelihood of variation in the value or price of the underlying asset to which the return on a structured security is linked.

SECURITY PRICE VOLATILITY: a statistical index which measures the variation in price of a financial instrument compared to its average price in a certain period. The more volatile a security is, the more it varies compared with its average price and the riskier it is. A distinction is made between (i) historic volatility, which is based on the recorded price in the past and (ii) embedded volatility, which is based on the price at which options linked to the financial instrument are traded, usually on regulated markets.

SPOT PRICE: the market price of a security on the reference date.

STRIKE PRICE: a predetermined price at which the owner of an option may purchase or sell the underlying instrument by exercising the option.

STRUCTURED SECURITIES: securities consisting of a fixed component, similar to a normal bond, and a derivative component, similar to an option.

SUBORDINATED BOND: a bond which, should the Issuer become insolvent, is redeemed only after all the unsubordinated debts of the Issuer have been paid. It is also important to consider the subordination level.

TICK: this is the minimum variation in price, either up or down, on making a purchase or sales offering for a financial instrument. For quoted securities, the respective values are given in the Stock Market Regulations. For example: on quoting the price of the FIAT share at Euro 6.52, the admitted tick is one Euro cent and so the proposed price may be Euro 6.53 or Euro 6.51.

UNDERLYING: a financial instrument on whose value that of a derivative or structured security (see definitions) depends.

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WARRANT: a derivative financial instrument, usually quoted on regulated markets, which assigns to the owner the right to purchase (call warrant) or sell (put warrant) a certain number of financial instruments at a predetermined date, number and price.

WEIGHTING: the attribution of a relative weight within an index to the individual securities used in determining that index.