THE FOLLOWING TRANSLATION IS MADE FOR INFORMATION PURPOSES ONLY. IN CASE OF ANY INCONSISTENCY BETWEEN THE ITALIAN VERSION AND THE ENGLISH VERSION, THE ITALIAN VERSION SHALL PREVAIL

Public Offer for the Subscription of the Bonds

"EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT CALLABLE BONDS LINKED TO CMS RATES DUE 2017"

FOR A MAXIMUM NOMINAL AMOUNT OF EURO 200,000,000

PRINCIPAL CHARACTERISTICS OF THE BONDS

Issuer: European Bank for Reconstruction and Development

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

ISIN Code: IT0006589987

Nominal Amount: unit: Euro 1,000

Issue Price: at par (100% of the nominal value).

Due date: 23 May 2005

Interest: The bonds will accrue gross interest on the nominal value and will be paid on the 23 May of each year in which the debt is still standing (the "Payment Date"), starting on 23 May 2006.

The above mentioned interest rates will be equal to:

- 4% gross per annum for the first, second and third coupon payable respectively on 23 May 2006, 23 May 2007 and 23 May 2008 (the "Fixed Coupons");
- an amount calculated on the basis of the following formula for all the other coupons, payable starting from 23 May 2009 (the "Floating Coupons"):

3* (CMS 10 - CMS 2)

where:

"CMS 10" means the annual swap rate for Euro swap transactions with a maturity of 10 years, expressed as a percentage, which appears on the Reuters screen ISDAFIX2 Page (or such other page as may replace that page on such service) under the heading "EURIBOR BASIS - EUR" and above the caption "11:00 AM Frankfurt" as of 11:00 am Frankfurt time, on the day that is 5 TARGET Business Days preceding the beginning of each calculation period; and

"CMS 2" means the annual swap rate for Euro swap transactions with a maturity of 2 years, expressed as a percentage, which appears on the

The Floating Coupons cannot in any case be less that 1.00% gross per annum.

The interest on the bonds will be calculated on an Actual/Actual - ISMA basis.

Redemption: in a single payment on 23 May 2017 ("Redemption Date") at par (100% of the nominal value).

Early Redemption: The issuer will be able to early redeem the bonds at par at each Date of Early Redemption by giving prior notice to the bondholders, not later than 10 Business Days before the Date of Early Redemption.

"Date of Early Redemption" means any Payment Date prior to the Redemption Date, from 23 May 2008 inclusive.

Clearing System: The payment of interest and the redemption of the bonds will be done by the dematerialised securities clearing system managed by Monte Titoli S.p.A., through its authorised intermediaries.

Tax Regime: pursuant to Legislative Decree No. 239 of 1 April 1996, as subsequently amended and integrated, interest and other income deriving from the bonds are subject to a tax withheld at source at the current rate of 12.50%, in the circumstances and manner and within the time limits set fort therein. Capital gains or losses in respect of the bonds are subject to the regime provided by art. 67 and 68 of the Italian Income Tax Act and by Legislative Decree No. 461 of 21 November 1997 as subsequently amended and integrated.

Listing: A request will be filed for the listing of the bonds on the *Mercato Telematico delle Obbligazioni e Titoli di Stato* (M.O.T.*)*, organised and managed by *Borsa Italiana S.p.A.*.

Reuters screen ISDAFIX2 Page (or such other page as may replace that page on such service) under the heading "EURIBOR BASIS - EUR" and above the caption "11:00 AM Frankfurt" as of 11:00 am Frankfurt time, on the day that is 5 TARGET Business Days preceding the beginning of each calculation period.	

TERMS AND CONDITIONS OF THE PLACEMENT

The bonds are offered by a pool of managers lead by Morgan Stanley & Co. International Limited and Banca Akros S.p.A.- Gruppo Banca Popolare di Milano.

The bonds are offered indistinctly to the public and to professional investors in Italy: the bonds shall be offered for subscription from 9 May 2005 to 18 May 2005 - unless the closing date is brought forward with no prior notice - and shall be satisfied to the extent that such bonds are available by each of the following entities appointed for the placement (*Soggetti Incaricati del collocamento)*:

Banca Akros S.p.A.

Morgan Stanley & Co. International Limited

Banca Popolare di Sondrio Scarl

Centrosim SpA

Iccrea Banca SpA

Simetica SIM SpA

Banca Mediolanum SpA

Banca di Cividale SpA

Bancaperta SpA

Banca Antonventa SpA

Cassa di Risparmio di Ferrara SpA

Banca Popolare di Milano Scarl

Banca di Legnano SpA

The bonds will be paid with the value dated 23 May 2005 to the entities appointed for the placement. The bonds will be held by Monte Titoli S.p.A.

This notice is only an advertising message for promotional purposes. Potential investors should refer to the *Foglio Informativo, Nota Integrativa* and to the *Regolamento* for a detailed description of the terms and conditions and risk factors of the bonds which the entities appointed for the placement shall make freely available at the request of any such potential investor.

Until the issue date, the Issuer reserves the right to withdraw the offer (in such case any booking for subscription of the bonds will be considered null and void) and to close it in advance by giving prompt notice thereof.

This offer involves risk factors of the bonds indexed to the yield of swap.

THE FOLLOWING TRANSLATION IS MADE FOR INFORMATION PURPOSES ONLY. IN CASE OF ANY INCONSISTENCY BETWEEN THE ITALIAN VERSION AND THE ENGLISH VERSION, THE ITALIAN VERSION SHALL PREVAIL

TERMS AND CONDITIONS

(*REGOLAMENTO*)

"EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT CALLABLE BONDS LINKED TO CMS RATES DUE 2017"

(ISIN CODE IT0006589987)

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

European Bank for Reconstruction and Development bonds denominated "European Bank for Reconstruction and Development Callable Bonds Linked to CMS Rates Due 2017" for a maximum nominal amount of up to Euro 200 million consist of a maximum of 200,000 bonds with a denomination of Euro 1,000 each (the "**Bonds**").

The Bonds shall 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.

Article 2 **- ISSUE PRICE**

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

Article 3 **- ENTITLEMENT**

The Bonds entitlement shall be on 23 May 2005 ("**Issue Date**").

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

Subject to article 6, the Bonds will be redeemed in twelve years. The Bonds will be issued on 23 May 2005 and will be redeemed on 23 May 2017 (the "**Redemption Date**").

Article 5 **- INTEREST**

The Bonds will accrue gross interest on each Denomination, which will be paid to bondholders pursuant to the terms and conditions provided in article 8 below, on the 23 May of each year in which the debt is still outstanding (the "**Payment Date**"), subject to the Following Business Day Convention, as such term is defined in article 8 below, starting on 23 May 2006.

The above mentioned interest rates will be equal to:

- 4.00% gross per annum for the first, second and third coupon, payable respectively on 23 May 2006, 23 May 2007 and 23 May 2008 (the "**Fixed Coupons**"); and

- an amount calculated on the basis of the following formula for all the other coupons, payable starting from 23 May 2009 (the "**Floating Coupons**");

3*(CMS 10 - CMS 2)

where:

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

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

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

"TARGET Business Day" means a day in which the Trans-European Automated Real Time Gross Settlement Express Transfer is operating.

Where CMS 10 and/or CMS 2 does not appear on Reuters Screen ISDAFIX2 Page (or any successor or other relevant page) on 11 AM Frankfurt time on the Determination Date for any Calculation Period, the Determination Agent (as defined in art. 12 below) may fix a substitute value for such unavailable rate by requesting five major market operators selected by the Determination Agent to provide such a rate, and on the basis of the following: (i) if at least three quotations are provided, the rate for that Calculation Period will be the arithmetic mean 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 that Calculation Period will be fixed at the reasonable discretion of the Determination Agent, acting in good faith and in a commercially reasonable manner.

The Floating Coupons cannot in any case be less than 1.00% gross per annum.

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

"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 it actually falls due, divided by the actual number of days in the relevant Calculation Period.

"Calculation Period" means the period starting from and including 23 March in each year to but excluding 23 March in the following year. For the avoidance of doubt, the first Calculation Period commences on 23 March 2005.

Article 6 - **REDEMPTION**

The Bonds will be redeemed at par, in a single payment, by the authorised intermediaries parties to the dematerialised securities clearing system managed by Monte Titoli S.p.A..

The issuer will be able to early redeem the Bonds at par by giving prior notice to the bondholders, if in accordance with article 13 and not later than 10 Business Days preceding the Date of Early Redemption.

"Business Day" means a TARGET Business Day and a London Business Day.

"London Business Day" means a day 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.

"Date of Early Redemption" means any Payment Date prior to the Redemption Date, from 23 May 2008 inclusive.

The Bonds will cease to accrue interest from the Redemption Date or, where applicable, any Early Redemption Date.

Article 7 - **TAX REGIME**

Tax treatment of income: according to the provisions of Legislative Decree No. 239 of 1 April 1996, as subsequently amended and integrated, the interest and other income deriving from the Bonds are subject to a tax withheld at source, referred to as *imposta sostitutiva*, levied at the current rate of 12.50%.

Taxation of capital gains: capital gains, other than those obtained in carrying out commercial activities, in connection with the transfer against consideration or redemption of the bonds (Article 67 of the d.P.R 22 December 1986, n.917, as amended and supplemented ("Italian Income Tax Act"), are subject to a tax withheld at source, referred to as *imposta sostitutiva*, levied at the current rate of 12.50%.

Capital gains and capital loss are determined in accordance with the criteria set out in Article 68 of the Italian Income Tax Act and subject to the tax regime pursuant to the ordinary regime referred to in Article 5 ("*Regime della dichiarazione"*) or pursuant the optional regimes referred to in Article 6 ("*Risparmio amministrato"*) and Article 7 ("*Risparmio gestito"*) of Legislative Decree 21 November 1997, N. 461.

The relevant payments of the Bonds are subject to any application laws and tax provisions.

The issuer and/or the paying agent will not be required to make any additional payments where any deductions or payments have to be made in relation to the Bonds. In no case will the issuer and/or paying agent be liable before the bondholders or to any other person for any commission, costs, losses or expenses related to or resulting from such deductions or payments.

Article 8 - **CLEARING SYSTEM**

The payment of interest and the redemption of the Bonds will be done 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 Business Day immediately thereafter (the "Following Business Day Convention"), provided that the following scheduled payment date will not be subject to any change and without giving any right to the payment of interest for any additional days.

Article 9 - **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, after ten years from the redemption date of the Bonds.

Article 10 - **LISTING**

An application will be filed for the listing of 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 11 - **CALCULATION AGENT**

Citibank N.A. shall act as Calculation Agent.

Article 12 **DETERMINATION AGENT**

BNP Paribas shall act as Determination Agent.

Article 13 **- MISCELLANEOUS**

Any notice from 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*).

The holding of Bonds entails the full acceptance of any condition 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 Rome, save as provided in Article 1469 *bis* of the Italian Civil Code.

INFORMATION SHEET (*Foglio Informativo*)

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

"European Bank for Reconstruction and Development Callable Bonds Linked to CMS Rates due 2017" Cod. ISIN IT 0006589987

The investor should only make his investment in the security subject of this present offer after having understood the nature and extent of the risk involved. The contents of this Information Sheet should therefore be read with due attention. To obtain information on the performance of the security, paragraphs 10 and 11 of Section II of this Information Sheet and the illustration provided in Section III should be read carefully.

The information documents regarding the security complies with the Guidelines for information to be provided to the underwriter and with the prevailing legislation. The present Information Sheet should be read together with the attached "Legenda".

It should be note that the maturity of the bonds hereunder may be different due to the early redemption mechanism as described in paragraph 15, Section II of this Information Sheet.

The terms and conditions relating to the securities described in this Information Sheet are only included for information purposes and the only terms and conditions binding on the Issuer are the ones contained in the Terms and Conditions (Regolamento del Prestito).

The securities to which the present issue relates are structured securities; it is recommended that the definition of these in the Glossary attached to the Information Sheet be read carefully. Terms stated in bold type and underlined are of a technical financial nature for which reference should be made to the "Glossary for the investor in subordinated structured securities" attached to the present Information Sheet. If the term cannot be found there, reference should be made to the attached "Legenda".

I. INFORMATION REGARDING THE ISSUING BANK

Name and legal form

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

Administrative office

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

Number in the Register of Banks held by the Bank of Italy

The Issuer is not entered in any Register of Banks.

Banking Group

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

Number Companies' Register

The Issuer is not entered in any register of Companies or any equivalent register.

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

Euro 20,000,000,000

Conflict of interest

Not applicable

Rating of the Issuer

The Issuer has obtained the following **ratings**:

Moody’s Investors Services Ltd: Aaa

Standard & Poor’s Rating Services: AAA

Fitch Ratings Ltd: AAA

Competent Supervisory Authority

Not applicable

II. INFORMATION AS TO THE NATURE OF THE ISSUE

Name of the Bond and centralized administration of the Bonds

The bond are called "*European Bank for Reconstruction and Development Callable Bonds Linked to CMS Rates due 2017*" (the "**Bonds**"). The Bonds will cleared by Monte Titoli S.p.A. and will be in the dematerialised form (*forma dematerializzata*) pursuant to Legislative Decree No. 213 of 24 June 1998.

Number of securities and minimum denomination

Up to 200,000 Bonds, each of denomination Euro 1,000.

Currency of the Bonds

Euro.

Denomination and total nominal amount of the Bonds

The denomination of each Bond is Euro 1,000. The nominal total amount of the Bonds is up to Euro 200 million.

Issue price and redemption price

The Bonds will be issued at par (100%) i.e. at a price of Euro 1,000 each. The Bonds will be redeemed at par (100%).

The table below shows the bond component and the derivative component concerning the issue price of the Bonds. It must be noted that the Issuer has not provided the following data and it has not carried out the calculation in relation to the components mentioned below.

Bond Component	85.70%
Derivative Component	11.30%
Commissions	3.00%
Total	100%

Placement and underwriting commissions

Placement and underwriting commissions of 3.00% of the denomination of the Bonds will be payable.

Date of opening and closing of the placement. Option of early closing of the offer period

Booking orders will be accepted starting from 9 May 2005 to 18 May 2005 (the "**Offer Period**") – unless closed in advance and without notice – and will be satisfied within the limits of the securities available at each of the banks of the syndicate group.

Issue date and due date

The Bonds are issued on 23 May 2005 (the "**Due Date**").

Maturity of the Bonds

Subject to paragraph 15 below, the maturity of the Bonds is twelve years. The Bonds are issued on 23 May 2005 and will all be redeemed with a single payment on 23 May 2017 (the "**Redemption Date**").

Interest

The Bonds in the first, second and third years of duration bear interest calculated at a gross annual rate of 4.00% on their denomination calculated on an Actual/Actual - ISMA *unadjusted* basis and subject to the tax regime described in paragraph 21 below. Such interest will become payable on 23 May 2006, 23 May 2007 and 23 May 2008 ("**Fixed Coupon Payment Date**") respectively, subject to the Following Business Day Convention, as defined in paragraph 12 below. Starting from the fourth year, and for each subsequent year until maturity, the annual interest will be calculated per denomination as follows:

- A factor of 3.00 multiplied by the difference between CMS 10 and CMS 2, where:

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

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

Where CMS 10 and/or CMS 2 does not appear on Reuters Screen ISDAFIX2 Page (or any successor or other relevant page) on 11 AM Frankfurt time on the Determination Date (as defined below) for any Calculation Period, the Determination Agent (as defined in paragraph 28 below) may fix a substitute value for such unavailable rate by requesting five major market operators selected by the Determination Agent to provide such a rate, and on the basis of the following: (i) if at least three quotations are provided, the rate for that Calculation Period will be the arithmetic mean 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 that Calculation Period will be fixed at the reasonable discretion of the Determination Agent, acting in good faith and in a commercially reasonable manner.

There will be a minimum guaranteed gross annual rate of 1.00%.

Interest will be subject to the tax regime described in paragraph 21 below and payable on 23 May of each year starting from 2009 up to 23 May 2017 ("**Floating Coupon Payment Date**" and together with the Fixed Coupon Payment Date, the "**Payment Date**"), subject to the Following Business Day Convention as defined at paragraph 12 below.

"Determination Date" means the day that is five (5) TARGET Business Days (as defined below) preceding the beginning of each Calculation Period.

"Calculation Period" means the period starting from and including 23 May in each year to but excluding 23 May in the following year. For the avoidance of doubt, the first Calculation Period commences on 23 May 2005.

"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 it actually falls due, divided by the actual number of days in that Calculation Period.

"TARGET Business Day" means a day in which the *Trans-European Automated Real Time Gross Settlement Express Transfer System* is open.

The tables below show the relevant yield for guaranteed coupons and for possible coupons.

Guaranteed Coupons

Years 1 - 3	4.00%
Years 4 - 12	1.00%

Possible Coupons

Years 4 - 12	3.00 * (CMS 10 - CMS 2)

Actual rate of yield and method of calculation

The actual yield is fixed for the first three years and floating for the following years as during the floating period, the performance is linked to the CMS 10 and CMS 2, and will be calculated for each denomination by applying the following formula:

3.00 * (CMS 10 - CMS 2)

Terms and Conditions of payment of interest

Interest will be paid within the *Monte Titoli S.p.A.* system, through authorized intermediaries who are members of *Monte Titoli S.p.A.*. If the maturity date of any amount due in respect of the present bond does not fall on a Business Day, then such payment will be made on the first Business Day ("**Following Business Day Convention**") immediately following, without having any effect on the subsequent Payment Dates and without giving right to the payment of interest for that additional day.

"Business Day" means a TARGET Business Day and a London Business Day.

"London Business Day" means a day on which: (i) banks are open in London for their ordinary commercial activities, including payments and deposits in foreign exchange and Euro; e (ii) the foreign exchange markets are open in London for settling payments in Euro.

Rights and benefits connected to the Bonds

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

Bond redemption procedures

Subject to paragraph 15 below, the Bonds will be redeemed in a single payment on 23 May 2017 through authorized intermediaries of *Monte Titoli S.p.A.*. The principal will be redeemed at par (100%), with no deductions for expenses. The Bonds will cease to bear interest on the date determined for their redemption.

Early redemption

The Issuer may redeem the Bonds at par starting from the Payment Date falling on 23 May 2008 and on each following Payment Date, with not less than 10 Business Days'notice prior to such Payment Date.

Deferment clauses of the rights pertaining to the Bonds

None.

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

None.

Redemption premiums and/or any other elements contributing to the determination of the Bonds' yield

None

Prescription of interest, capital and related rights

The rights of Bondholders to interests will be prescribed after five years from the date of payment of the interest coupon; capital rights will be prescribed after ten years from the date on which the bond became redeemable.

Distribution criteria

Any distribution and assignment will be done separately in connection with the book orders received.

In the event that the book orders received during the Offer Period are more than the Bonds to be offered by the Issuer, the syndicate group shall distribute and assign such Bonds proportionally to the Bonds in demand (but not satisfied) by each of them. Such assignment will be rounded off to the lowest figure.

Tax regime

The following is intended to be a summary of the tax regime applicable to Bonds and to certain investors resident in Italy who hold such Bonds not in connection with any commercial activity (the "Investors").

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

Income from capital: a substitute tax in lieu of income tax is payable on the bond interest and any other earnings from the Bonds at 12.50%, applied in accordance with the means and terms of Legislative Decree No. 239 of 1 April 1996, as amended and supplemented.

Capital gains tax: any gains which differ from those realized by commercial companies in carrying out their activities and which are earned through the sale with consideration or repayment of securities (article 67 of d.P.R. of 22 December 1986, No. 917 as amended and supplemented (hereinafter "**T.U.I.R."**) are subject to a substitute tax in lieu of income tax at 12.50%. Capital gains and losses are determined using the criteria provided in article 68 of T.U.I.R. and are subject to the ordinary regime described in article 5 (Regime of the tax return) or to the optional regimes described in article 6 (Administration of savings funds) and article 7 (Management of savings funds) of the same Legislative Decree 21 November 1997, No. 461.

Restrictions imposed by the conditions of issue on the free trading of the Bonds

None.

Third parties engaged for services connected with the issue

None.

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

Once all the formalities of current legislation have been satisfied 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, an application will be filed with *Borsa Italiana S.p.A.* for an official listing of the Bonds on the Telematic Market of Bonds and Government Securities (*Mercato Telematico delle Obbligazioni e dei titoli di Stato* (M.O.T.) organized and administered by *Borsa Italiana S.p.A.).* Clearing will also take place indirectly through the Euroclear and Clearstream systems.

Bank Syndicate Group (*Soggetti Incaricati del collocamento*)

The Bonds are offered through a bank syndicate group headed by Morgan Stanley & Co. International Limited, whose head offices are at 25 Cabot Square, London E14 4QA, United Kingdom and Banca Akros S.p.A.- *Gruppo Banca Popolare di Milano* - whose registered head offices are at Viale Eginardo, 29, 20149, Milan, Italy.

Communications

All communications to bondholders will be considered to have been effectively made, unless otherwise stated by law, if carried out through a notice to be published in a daily newspaper having a national circulation or in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*).

Calculation Agent

The calculating agent is Citibank N.A..

Determination Agent

The determination agent in relation to the present bonds is BNP Paribas as swap counterparty with the Issuer.

Applicable Law and Jurisdiction

The bonds shall be governed by Italian law. Any dispute connected with the bonds or the present regulations will be governed exclusively by the Court of Rome, without prejudice to the provisions of article 1469 *bis* of the Italian Civil Code.

The holding of Bonds implies the full acceptance of all the conditions established in the present Information Sheet.

III. INFORMATION REGARDING THE RISKS OF THE TRANSACTION

Types of risk in relation to the investment in the securities

The structured bond "*European Bank for Reconstruction and Development Callable Bonds Linked to CMS Rates due 2017*" provides the underwriter with a fixed gross annual interest of 4.00% for the first three years of the life of the bonds and a guarantee as to the redemption of the capital invested. Such interests will be payable on 23 May 2006, 23 May 2007 and 23 May 2008 and subject to the tax regime described under Section II, paragraph 21 above. Starting from the fourth year and for subsequent years, interest is linked to a floating rate determined in the following way: a factor of 3.00 multiplied by the difference between the CMS 10 and CMS 2.

A gross annual minimum rate of 1.00% is guaranteed.

Such interests are payable on 23 May of each year, starting from 2009 and ending in 2017, subject to the tax regime described under Section II paragraph 21 above. Interest is calculated for each bond by applying the formula described in Section II paragraph 11 above.

Notes on the risks pertaining to the investment

The Bonds may be split from a financial point of view into a bond component and an embedded derivative component. Moreover, the investor must take into account the normal elements of risk typically found in an investment in bonds (the so-called “Financial Risks”).

<u>Bond component</u>

The bond component is represented by a fixed-interest security with an annual coupon for the first three years of the bond (in this case equal to 4.00% of the denomination) equal to 85.70% of the notional amount (as mentioned in the Table at Section II paragraph 5). In subsequent years, the annual coupon cannot be lower than 1.00%. Full redemption of the capital invested is guaranteed on maturity.

Derivative component

The embedded derivative component of the security is represented by the exposure of the security to the slope of the Euro rates curve (in the case in question, the differential between the CMS 10 and CMS 2), which may be evaluated as 11.30% of the notional amount (as mentioned in the Table at Section II paragraph 5). The gross annual effective return of the above-mentioned bond component to the investor in the security, net of the derivative component, amounts to 1.81%.

Financial risks

Interest rate 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 Bond. If the CMS 2 rises faster than CMS 10, the Bonds will underperform relative traditional floating rate securities.

Price risk

The trend in interest rates may have an impact on the market price of the security, leading to fluctuations over the life of the Bond. If the investor wishes, however, to sell the security prior to its natural maturity of 12 years, its value could as a result also be lower than the issue price (100% of denomination). The fact that the investor is guaranteed the full redemption of capital on maturity enables him, however, to recover the whole amount of his capital, whatever the trend in interest rates may be.

Liquidity risk

This risk is represented by the impossibility or difficulty for the investor to be able 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 underwriter of the **structured** bond denominated *"European Bank for Reconstruction and Development Callable Bonds Linked to CMS Rates due 2017*" becomes a lender to the European Bank for Reconstruction and Development and thereby acquires the right to the repayment of his capital invested. If, however, the Issuer is unable for financial reasons to make this repayment, such right could be prejudiced.

Illustration of the performance of the securities being issued

The following paragraph has been provided by Morgan Stanley & Co. Internation Limited on 21 April 2005 (on the basis of data available at the same date) for information purposes only

Favourable scenario

On the assumption that there is a significant slope of Euro rates (e.g. the difference between the CMS 10 and the CMS 2 is 200 **basis points** until the Redemption Date) from the start, (i) if the Bonds are redeemed on the Redemption Date they will have accrued interest of 4.00% for the first three years and 3.00 * 200 **basis points** of capital for the following nine years, leading to a gross annual return of 5.38%; and (ii) if the Bonds are redeemed on 23 May 2008, they will accrued interest of 4.00% for the first three years, leading to a gross annual return of 4.00%.

Intermediate scenario

On the assumption that there is a moderate flattening of the slope of Euro rates (e.g. the difference between the CMS 10 and the CMS 2 is 100 **basis points** until the Redemption Date), (i) if the Bonds are redeemed on the Redemption Date they will have accrued interest of 4.00% for the first three years and 3.00 * 100 **basis points** of capital for the following nine years, leading to a gross annual return of 3.29%; and (ii) if the Bonds are redeemed on 23 May 2008, they will accrued interest of 4.00% for the first three years, leading to a gross annual return of 4.00%.

Less favourable scenario

On the assumption that there is a significant flattening of the slope of Euro rates (zero or negative slope) until the Redemption Date, the Bonds: (i) for the years from year four onwards will be equal to 1.00% and the Bonds on the Redemption Date will have a gross annual return of 1.81%; and (ii) if the Bonds are redeemed on 23 May 2008, they will accrued interest of 4.00% for the first three years, leading to a gross annual return of 4.00%.

Guarantee

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

DECLARATION OF DELIVERY TO INVESTOR OF THE PRESENT INFORMATION SHEET AND OF THE TERM AND CONDITIONS OF THE BONDS

I, ……………………………………………… hereby declare to have received and read the present Information Sheet before signing the relevant subscription agreement of the Bonds described herein.

In witness whereof,

………………………………

[the Subscriber]

Date ……………………

I,……………………..hereby declare to have renounce to receive copy of the Terms and Condition of the Bonds.

In witness whereof,

………………………………

[the Subscriber]

Date ……………………

NOTA INTEGRATIVA

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

BOND ISSUE

" EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT CALLABLE BONDS LINKED TO CMS RATES DUE 2017"

COD. ISIN IT0006589987

1. **GENERAL WARNINGS**

The structured Bonds subject of this bond issue are made by a bond component and by one or more derivative components. This derivative component is essentially the purchase or sale, of one or more derivative instrument by the underwriter of the bond the value of which is determined by the performance of financial instruments and/or parameters linked (securities, indexes, currencies, swap rates, etc.).

Given the above features, structured bonds are instruments which are characterized by an intrinsic complexity which makes them hard to be evaluated in terms of risk either when they are purchased and subsequently after.

Investors are recommended to underwrite these type of securities only when they have fully understood their nature and their degree of risk.

2. **SPECIFIC WARNINGS**

This bond has the same risks of securities linked to swap indexes: although the bonds are principal guaranteed, the performance of these securities can not be calculated in advance and it has the same risks of an investment linked to the performance of the swap rates.

During the negotiation on the secondary market, such investment has, on one side, the risk factors of any other fixed rate bond (see interest risk definition in the Legenda), and, on the other side, the risk factors of a floating rate bonds linked to the fluctuation of the performance of the swap rates.

The investor is recommended to read Section III (Information on the risks of the transaction) contained in the Information Sheet (*Foglio Informativo*) by referring to the Legenda of the Italian Banking Association which will be available at the branch of the Bank.

3. **OUTLINE OF THE RISK AND PERFORMANCE OF THE BOND AND OF ANOTHER FINANCIAL LOW RISK FINANCIAL INSTRUMENT (*BUONI ORDINARI DEL TESORO)* GOVERNEMENT BONDS WITH SIMILAR MATURITY**

Please note that the issuer has not provided the basis for the calculation set out in the following table nor it has made the calculation set out in the following table

Date of calculation 21/4/2005 (on the basis of data available at the same date)

	BTP 5.25% **IT0003242747**	**"European Bank for Reconstruction and Development Callable Bonds Linked to CMS Rates due 2017" COD. ISIN IT0006589987**
Maturity	1/8/2017	23/05/2017
VAR Risk (**)	4.21%	7.41%
Gross Performance	3.74% annual gross	5.38% - 3.29% - 1.81% annual gross (calculated in the scenario provided by Section III - Risk Information on the Transaction, Paragaph 4, Esemplification of the Performance of the Bonds)

(**) The "VAR" of the bond subject of the Information Sheet (*Foglio Informativo*) is a risk measure which provides the maximum lost for the investor in terms of its investment, in a one day time, with a probability of 99%. The potential lost is calculated on the basis of statistic estimates, starting from the volatility of the risk factors (interest rates, price of the underlying securities).

4. **RECOMMENDATION TO READ THE LEGENDA PROVIDED BY THE ITALIAN BANKING ASSOCIATION**

Investor is recommended to read the Information Sheet (*Foglio Informativo*) by referring to the Legenda of the Italian Bank Association which will be available at the branch of the Bank.

THE FOLLOWING TRANSLATION IS MADE FOR INFORMATION PURPOSES ONLY. IN CASE OF ANY INCONSISTENCY BETWEEN THE ITALIAN VERSION AND THE ENGLISH VERSION, THE ITALIAN VERSION SHALL PREVAIL.

INFORMATION SHEET (*Foglio Informativo*)

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

"European Bank for Reconstruction and Development Callable Bonds Linked to CMS Rates due 2017" Cod. ISIN IT 0006589987

The investor should only make his investment in the security subject of this present offer after having understood the nature and extent of the risk involved. The contents of this Information Sheet should therefore be read with due attention. To obtain information on the performance of the security, paragraphs 10 and 11 of Section II of this Information Sheet and the illustration provided in Section III should be read carefully.

The information documents regarding the security complies with the Guidelines for information to be provided to the underwriter and with the prevailing legislation. The present Information Sheet should be read together with the attached "Legenda".

It should be note that the maturity of the bonds hereunder may be different due to the early redemption mechanism as described in paragraph 15, Section II of this Information Sheet.

The terms and conditions relating to the securities described in this Information Sheet are only included for information purposes and the only terms and conditions binding on the Issuer are the ones contained in the Terms and Conditions (Regolamento del Prestito).

The securities to which the present issue relates are structured securities; it is recommended that the definition of these in the Glossary attached to the Information Sheet be read carefully. Terms stated in bold type and underlined are of a technical financial nature for which reference should be made to the "Glossary for the investor in subordinated structured securities" attached to the present Information Sheet. If the term cannot be found there, reference should be made to the attached "Legenda".

IV. INFORMATION REGARDING THE ISSUING BANK

Name and legal form

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

Administrative office

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

Number in the Register of Banks held by the Bank of Italy

The Issuer is not entered in any Register of Banks.

Banking Group

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

Number Companies' Register

The Issuer is not entered in any register of Companies or any equivalent register.

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

Euro 20,000,000,000

Conflict of interest

Not applicable

Rating of the Issuer

The Issuer has obtained the following **ratings**:

Moody's Investors Services Ltd: Aaa

Standard & Poor's Rating Services: AAA

Fitch Ratings Ltd: AAA

Competent Supervisory Authority

Not applicable

V. INFORMATION AS TO THE NATURE OF THE ISSUE

Name of the Bond and centralized administration of the Bonds

The bond are called "*European Bank for Reconstruction and Development Callable Bonds Linked to CMS Rates due 2017*" (the "**Bonds**"). The Bonds will cleared by Monte Titoli S.p.A. and will be in the dematerialised form (*forma dematerializzata*) pursuant to Legislative Decree No. 213 of 24 June 1998.

Number of securities and minimum denomination

Up to 200,000 Bonds, each of denomination Euro 1,000.

Currency of the Bonds

Euro.

Denomination and total nominal amount of the Bonds

The denomination of each Bond is Euro 1,000. The nominal total amount of the Bonds is up to Euro 200 million.

Issue price and redemption price

The Bonds will be issued at par (100%) i.e. at a price of Euro 1,000 each. The Bonds will be redeemed at par (100%).

The table below shows the bond component and the derivative component concerning the issue price of the Bonds. It must be noted that the Issuer has not provided the following data and it has not carried out the calculation in relation to the components mentioned below.

Bond Component	85.70%
Derivative Component	11.30%
Commissions	3.00%
Total	100%

Placement and underwriting commissions

Placement and underwriting commissions of 3.00% of the denomination of the Bonds will be payable.

Date of opening and closing of the placement. Option of early closing of the offer period

Booking orders will be accepted starting from 9 May 2005 to 18 May 2005 (the "**Offer Period**") – unless closed in advance and without notice – and will be satisfied within the limits of the securities available at each of the banks of the syndicate group.

Issue date and due date

The Bonds are issued on 23 May 2005 (the "**Due Date**").

Maturity of the Bonds

Subject to paragraph 15 below, the maturity of the Bonds is twelve years. The Bonds are issued on 23 May 2005 and will all be redeemed with a single payment on 23 May 2017 (the "**Redemption Date**").

Interest

The Bonds in the first, second and third years of duration bear interest calculated at a gross annual rate of 4.00% on their denomination calculated on an Actual/Actual - ISMA *unadjusted* basis and subject to the tax regime described in paragraph 21 below. Such interest will become payable on 23 May 2006, 23 May 2007 and 23 May 2008 ("**Fixed Coupon Payment Date**") respectively, subject to the Following Business Day Convention, as defined in paragraph 12 below. Starting from the fourth year, and for each subsequent year until maturity, the annual interest will be calculated per denomination as follows:

- A factor of 3.00 multiplied by the difference between CMS 10 and CMS 2, where:

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

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

Where CMS 10 and/or CMS 2 does not appear on Reuters Screen ISDAFIX2 Page (or any successor or other relevant page) on 11 AM Frankfurt time on the Determination Date (as defined below) for any Calculation Period, the Determination Agent (as defined in paragraph 28 below) may fix a substitute value for such unavailable rate by requesting five major market operators selected by the Determination Agent to provide such a rate, and on the basis of the following: (i) if at least three quotations are provided, the rate for that Calculation Period will be the arithmetic mean 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 that Calculation Period will be fixed at the reasonable discretion of the Determination Agent, acting in good faith and in a commercially reasonable manner.

There will be a minimum guaranteed gross annual rate of 1.00%.

Interest will be subject to the tax regime described in paragraph 21 below and payable on 23 May of each year starting from 2009 up to 23 May 2017 ("**Floating Coupon Payment Date**" and together with the Fixed Coupon Payment Date, the "**Payment Date**"), subject to the Following Business Day Convention as defined at paragraph 12 below.

"Determination Date" means the day that is five (5) TARGET Business Days (as defined below) preceding the beginning of each Calculation Period.

"Calculation Period" means the period starting from and including 23 May in each year to but excluding 23 May in the following year. For the avoidance of doubt, the first Calculation Period commences on 23 May 2005.

"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 it actually falls due, divided by the actual number of days in that Calculation Period.

"TARGET Business Day" means a day in which the *Trans-European Automated Real Time Gross Settlement Express Transfer System* is open.

The tables below show the relevant yield for guaranteed coupons and for possible coupons.

Guaranteed Coupons

Years 1 - 3	4.00%
Years 4 - 12	1.00%

Possible Coupons

Years 4 - 12	3.00 * (CMS 10 - CMS 2)

Actual rate of yield and method of calculation

The actual yield is fixed for the first three years and floating for the following years as during the floating period, the performance is linked to the CMS 10 and CMS 2, and will be calculated for each denomination by applying the following formula:

3.00 * (CMS 10 - CMS 2)

Terms and Conditions of payment of interest

Interest will be paid within the *Monte Titoli S.p.A.* system, through authorized intermediaries who are members of *Monte Titoli S.p.A.*. If the maturity date of any amount due in respect of the present bond does not fall on a Business Day, then such payment will be made on the first Business Day ("**Following Business Day Convention**") immediately following, without having any effect on the subsequent Payment Dates and without giving right to the payment of interest for that additional day.

"Business Day" means a TARGET Business Day and a London Business Day.

"London Business Day" means a day on which: (i) banks are open in London for their ordinary commercial activities, including payments and deposits in foreign exchange and Euro; e (ii) the foreign exchange markets are open in London for settling payments in Euro.

Rights and benefits connected to the Bonds

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

Bond redemption procedures

Subject to paragraph 15 below, the Bonds will be redeemed in a single payment on 23 May 2017 through authorized intermediaries of *Monte Titoli S.p.A.*. The principal will be redeemed at par (100%), with no deductions for expenses. The Bonds will cease to bear interest on the date determined for their redemption.

Early redemption

The Issuer may redeem the Bonds at par starting from the Payment Date falling on 23 May 2008 and on each following Payment Date, with not less than 10 Business Days'notice prior to such Payment Date.

Deferment clauses of the rights pertaining to the Bonds

None.

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

None.

Redemption premiums and/or any other elements contributing to the determination of the Bonds' yield

None

Prescription of interest, capital and related rights

The rights of Bondholders to interests will be prescribed after five years from the date of payment of the interest coupon; capital rights will be prescribed after ten years from the date on which the bond became redeemable.

Distribution criteria

Any distribution and assignment will be done separately in connection with the book orders received.

In the event that the book orders received during the Offer Period are more than the Bonds to be offered by the Issuer, the syndicate group shall distribute and assign such Bonds proportionally to the Bonds in demand (but not satisfied) by each of them. Such assignment will be rounded off to the lowest figure.

Tax regime

The following is intended to be a summary of the tax regime applicable to Bonds and to certain investors resident in Italy who hold such Bonds not in connection with any commercial activity (the "Investors").

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

Income from capital: a substitute tax in lieu of income tax is payable on the bond interest and any other earnings from the Bonds at 12.50%, applied in accordance with the means and terms of Legislative Decree No. 239 of 1 April 1996, as amended and supplemented.

Capital gains tax: any gains which differ from those realized by commercial companies in carrying out their activities and which are earned through the sale with consideration or repayment of securities (article 67 of d.P.R. of 22 December 1986, No. 917 as amended and supplemented (hereinafter "**T.U.I.R.**") are subject to a substitute tax in lieu of income tax at 12.50%. Capital gains and losses are determined using the criteria provided in article 68 of T.U.I.R. and are subject to the ordinary regime described in article 5 (Regime of the tax return) or to the optional regimes described in article 6 (Administration of savings funds) and article 7 (Management of savings funds) of the same Legislative Decree 21 November 1997, No. 461.

Restrictions imposed by the conditions of issue on the free trading of the Bonds

None.

Third parties engaged for services connected with the issue

None.

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

Once all the formalities of current legislation have been satisfied 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, an application will be filed with *Borsa Italiana S.p.A.* for an official listing of the Bonds on the Telematic Market of Bonds and Government Securities (*Mercato Telematico delle Obbligazioni e dei titoli di Stato* (M.O.T.) organized and administered by *Borsa Italiana S.p.A.)*. Clearing will also take place indirectly through the Euroclear and Clearstream systems.

Bank Syndicate Group (*Soggetti Incaricati del collocamento*)

The Bonds are offered through a bank syndicate group headed by Morgan Stanley & Co. International Limited, whose head offices are at 25 Cabot Square, London E14 4QA, United Kingdom and Banca Akros S.p.A.- *Gruppo Banca Popolare di Milano* - whose registered head offices are at Viale Eginardo, 29, 20149, Milan, Italy.

Communications

All communications to bondholders will be considered to have been effectively made, unless otherwise stated by law, if carried out through a notice to be published in a daily newspaper having a national circulation or in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*).

Calculation Agent

The calculating agent is Citibank N.A..

Determination Agent

The determination agent in relation to the present bonds is BNP Paribas as swap counterparty with the Issuer.

Applicable Law and Jurisdiction

The bonds shall be governed by Italian law. Any dispute connected with the bonds or the present regulations will be governed exclusively by the Court of Rome, without prejudice to the provisions of article 1469 *bis* of the Italian Civil Code.

The holding of Bonds implies the full acceptance of all the conditions established in the present Information Sheet.

VI. INFORMATION REGARDING THE RISKS OF THE TRANSACTION

Types of risk in relation to the investment in the securities

The structured bond "*European Bank for Reconstruction and Development Callable Bonds Linked to CMS Rates due 2017*" provides the underwriter with a fixed gross annual interest of 4.00% for the first three years of the life of the bonds and a guarantee as to the redemption of the capital invested. Such interests will be payable on 23 May 2006, 23 May 2007 and 23 May 2008 and subject to the tax regime described under Section II, paragraph 21 above. Starting from the fourth year and for subsequent years, interest is linked to a floating rate determined in the following way: a factor of 3.00 multiplied by the difference between the CMS 10 and CMS 2.

A gross annual minimum rate of 1.00% is guaranteed.

Such interests are payable on 23 May of each year, starting from 2009 and ending in 2017, subject to the tax regime described under Section II paragraph 21 above. Interest is calculated for each bond by applying the formula described in Section II paragraph 11 above.

Notes on the risks pertaining to the investment

The Bonds may be split from a financial point of view into a bond component and an embedded derivative component. Moreover, the investor must take into account the normal elements of risk typically found in an investment in bonds (the so-called "Financial Risks").

Bond component

The bond component is represented by a fixed-interest security with an annual coupon for the first three years of the bond (in this case equal to 4.00% of the denomination) equal to 85.70% of the notional amount (as mentioned in the Table at Section II paragragh 5). In subsequent years, the annual coupon cannot be lower than 1.00%. Full redemption of the capital invested is guaranteed on maturity.

Derivative component

The embedded derivative component of the security is represented by the exposure of the security to the slope of the Euro rates curve (in the case in question, the differential between the CMS 10 and CMS 2), which may be evaluated as 11.30% of the notional amount (as mentioned in the Table at Section II paragragh 5). The gross annual effective return of the above-mentioned bond component to the investor in the security, net of the derivative component, amounts to 1.81%.

Financial risks

Interest rate 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 Bond. If the CMS 2 rises faster than CMS 10, the Bonds will underperform relative traditional floating rate securities.

Price risk

The trend in interest rates may have an impact on the market price of the security, leading to fluctuations over the life of the Bond. If the investor wishes, however, to sell the security prior to its natural maturity of 12 years, its value could as a result also be lower than the issue price (100% of denomination). The fact that the investor is guaranteed the full redemption of capital on maturity enables him, however, to recover the whole amount of his capital, whatever the trend in interest rates may be.

Liquidity risk

This risk is represented by the impossibility or difficulty for the investor to be able 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 underwriter of the **structured** bond denominated *"European Bank for Reconstruction and Development Callable Bonds Linked to CMS Rates due 2017*" becomes a lender to the European Bank for Reconstruction and Development and thereby acquires the right to the repayment of his capital invested. If, however, the Issuer is unable for financial reasons to make this repayment, such right could be prejudiced.

Illustration of the performance of the securities being issued

The following paragraph has been provided by Morgan Stanley & Co. Internation Limited on 21 April 2005 for information purposes only

Favourable scenario

On the assumption that there is a significant slope of Euro rates (e.g. the difference between the CMS 10 and the CMS 2 is 200 **basis points** until the Redemption Date) from the start, (i) if the Bonds are redeemed on the Redemption Date they will have accrued interest of 4.00% for the first three years and 3.00 * 200 **basis points** of capital for the following nine years, leading to a gross annual return of 5.38%; and (ii) if the Bonds are redeemed on 23 May 2008, they will accrued interest of 4.00% for the first three years, leading to a gross annual return of 4.00%.

Intermediate scenario

On the assumption that there is a moderate flattening of the slope of Euro rates (e.g. the difference between the CMS 10 and the CMS 2 is 100 **basis points** until the Redemption Date), (i) if the Bonds are redeemed on the Redemption Date they will have accrued interest of 4.00% for the first three years and 3.00 * 100 **basis points** of capital for the following nine years, leading to a gross annual return of 3.29%; and (ii) if the Bonds are redeemed on 23 May 2008, they will accrued interest of 4.00% for the first three years, leading to a gross annual return of 4.00%.

Less favourable scenario

On the assumption that there is a significant flattening of the slope of Euro rates (zero or negative slope) until the Redemption Date, the Bonds: (i) for the years from year four onwards will be equal to 1.00% and the Bonds on the Redemption Date will have a gross annual return of 1.81%; and (ii) if the Bonds are redeemed on 23 May 2008, they will accrued interest of 4.00% for the first three years, leading to a gross annual return of 4.00%.

Guarantee

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

DECLARATION OF DELIVERY TO INVESTOR OF THE PRESENT INFORMATION SHEET AND OF THE TERM AND CONDITIONS OF THE BONDS

I, ……………………………………………… hereby declare to have received and read the present Information Sheet before signing the relevant subscription agreement of the Bonds described herein.

In witness whereof,

………………………………

[the Subscriber]

Date ……………………

I,……………………..hereby declare to have renounce to receive copy of the Terms and Condition of the Bonds.

In witness whereof,

………………………………

[the Subscriber]

Date ……………………

EXPLANATORY NOTES FOR THE CLIENT AS TO THE DEFINITIONS USED IN THE INFORMATION SHEET ON THE STRUCTURED BOND "EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT CALLABLE BONDS LINKED TO CMS RATES DUE 2017"

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

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

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 interest is calculated.

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

DERIVATIVE COMPONENT: see Glossary under "Derivative".

DUE DATE: the date on which interest and principal will be paid.

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. Resources for these interventions are provided by the member banks on the request of the Fund, subsequent to the appearance of signs that a bank is in difficulty.

ISSUE PRICE: means the initial price at which the bonds are issued. Such 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 dematerialized instruments.

NOTE COMPONENT: see Glossary under "Note".

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

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

SOLICITATION: means the offer 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.

TARGET (system) (*Trans-European Real Time Gross Settlement Transfer System*): A 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.

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 of 15 basis points (bps).

BENCHMARK: a financial parameter or index which, due to its representative characteristics (such as for example 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 benchmarked item.

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 fulfill 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 underlings (see definition), which may be financial instruments, indices, interest rates, currencies or raw material prices.

EARLY REPAYMENT 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 higher 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 countervalue in Euros of the coupons and capital of a security 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.

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 or credit risk that the Issuer of a bond is unable to fulfil his 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 Memorandum.

LIQUIDITY RISK: the risk that the investor has to accept a reduction in the price of a security if he intends 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 sales 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).

MONTE CARLO (Monte Carlo simulation): a calculation tool which enables complex mathematical problem to be solved by probability methods based on the “law of large numbers”. This calculation technique is used *inter alia* in the financial sector to determine the value of derivative instruments (such as 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.

PRICE SPREAD: the difference between the sales and purchase prices offered by an intermediary.

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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 a security is volatile, the more it varies about the average price and the riskier it is. A distinction is made between (i) the historic volatility, which is based on the recorded price in the past and (ii) the implicit 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.

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STRUCTURED SECURITIES: securities consisting of a fixed component, similar to a normal note, 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 offer for a financial instrument. For quoted securities, the respective values are given in the Stock Market Regulations. As an 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.

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.

EXPLANATORY NOTES FOR THE CLIENT AS TO THE DEFINITIONS USED IN THE INFORMATION SHEET ON THE STRUCTURED BOND "EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT CALLABLE BONDS LINKED TO CMS RATES DUE 2017"

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

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

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 interest is calculated.

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

DERIVATIVE COMPONENT: see Glossary under "Derivative".

DUE DATE: the date on which interest and principal will be paid.

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. Resources for these interventions are provided by the member banks on the request of the Fund, subsequent to the appearance of signs that a bank is in difficulty.

ISSUE PRICE: means the initial price at which the bonds are issued. Such 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 dematerialized instruments.

NOTE COMPONENT: see Glossary under "Note".

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

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

SOLICITATION: means the offer 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.

TARGET (system) (*Trans-European Real Time Gross Settlement Transfer System*): A 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.

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 of 15 basis points (bps).

BENCHMARK: a financial parameter or index which, due to its representative characteristics (such as for example 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 benchmarked item.

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 fulfill 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 underlings (see definition), which may be financial instruments, indices, interest rates, currencies or raw material prices.

EARLY REPAYMENT 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 higher 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 countervalue in Euros of the coupons and capital of a security 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.

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 or credit risk that the Issuer of a bond is unable to fulfil his 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 Memorandum.

LIQUIDITY RISK: the risk that the investor has to accept a reduction in the price of a security if he intends 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.

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