ARGO MORTGAGE 2 S.r.l.

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

€ 808,300,000 Class A Residential Mortgage Backed Floating Rate Notes due 2043
(Issue Price: 100 per cent.)
€ 26,800,000 Class B Residential Mortgage Backed Floating Rate Notes due 2043
(Issue Price: 100 per cent.)
€ 29,350,000 Class C Residential Mortgage Backed Floating Rate Notes due 2043
(Issue Price: 100 per cent.)

(Issued pursuant to Law No. 130 of 30 April 1999 of the Republic of Italy)

Joint Lead Managers and Arrangers

CDC IXIS Capital Markets UBS Investment Bank WestLB AG

The date of this Offering Circular is 22 July 2004

For a discussion of certain risks and other factors that should be considered in connection with an investment in the Notes referred to above, see the section entitled "*Special Considerations*"

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Pursuant to Article 2, paragraph 3 of Italian Law No. 130 of 30 April 1999

Argo Mortgage 2 S.r.l.

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

Euro 808,300,000 Class A Residential Mortgage Backed Floating Rate Notes due October 2043

Issue Price: 100%

Euro 26,800,000 Class B Residential Mortgage Backed Floating Rate Notes due October 2043

Issue Price: 100%

Euro 29,350,000 Class C Residential Mortgage Backed Floating Rate Notes due October 2043

Issue Price: 100%

Application has been made to the Luxembourg Stock Exchange (the "**Stock Exchange**") to list the Euro 808,300,000 Class A Residential Mortgage Backed Floating Rate Notes due October 2043 (the "**Class A Notes**"), the Euro 26,800,000 Class B Residential Mortgage Backed Floating Rate Notes due October 2043 (the "**Class B Notes**") and the Euro 29,350,000 Class C Residential Mortgage Backed Floating Rate Notes due October 2043 (the "**Class C Notes**" and, together with the Class A Notes and the Class B Notes, the "**Notes**") of Argo Mortgage 2 S.r.l., a limited liability company organised under the laws of the Republic of Italy (the "**Issuer**"). The Notes will be issued on or about 23 July 2004 (the "**Issue Date**").

The principal source of payment of interest and of repayment of principal on the Notes will be collections and recoveries made in respect of the receivables and connected rights (the "**Receivables**") arising from a portfolio (the "**Portfolio**") of performing residential mortgage loans (the "**Mortgage Loans**") which have been purchased by the Issuer from Banca Carige S.p.A. ("**CARIGE**" or the "**Originator**") pursuant to the terms of a transfer agreement (the "**Transfer Agreement**") dated 25 June 2004. Interest on the Class A Notes, the Class B Notes and the Class C Notes will accrue on a daily basis and will be payable in Euro on the 27th day of October 2004 or, if such day is not a day on which banks are generally open for business in Luxembourg, London, Milan and Genoa and on which the Trans-European Automated Real-Time Gross-Settlement Express Transfer System (or any successor thereto) is open (a "**Business Day**"), the next succeeding Business Day (the "**First Payment Date**") and thereafter quarterly in arrears on the 27th day of January, April, July and October in each year (provided that, if any such day is not a Business Day, then interest on such Notes will be payable on the next succeeding Business Day) (each a "**Payment Date**"). The rate of interest (the "**Rate of Interest**") applicable to the Class A Notes, the Class B Notes and the Class C Notes for each period from (and including) a Payment Date to (but excluding) the next following Payment Date (each, an "**Interest Period**", provided that the first Interest Period (the "**Initial Interest Period**") shall begin on (and include) the Issue Date and end on (but exclude) the First Payment Date) will be the rate per annum equal to the Euro-zone inter-bank offered rate ("**Euribor**") for three month deposits in Euro determined in accordance with Condition 6 (*Interest*) of the terms and conditions (the "**Terms and Conditions**") of the Notes ("**Three Month Euribor**") (or, in the case of the Initial Interest Period, the rate per annum obtained by linear interpolation of Euribor for three month and four month deposits in Euro, as determined in accordance with Condition 6 (*Interest*) of the Terms and Conditions of the Notes), plus the following relevant margins with regard to the respective class of Notes (each a "**Relevant Margin**"):

- Class A Notes: a margin of 0.18% per annum;
- Class B Notes: a margin of 0.32% per annum; and
- Class C Notes: a margin of 0.83% per annum.

All payments in respect of the Notes will be made free and clear of any withholding or deduction for or on account of Italian taxes, unless such a withholding or deduction is required to be made by Italian Law No. 239 of 1 April 1996, as amended by Italian Law No. 409 and No. 410 of 23 November 2001 and as subsequently amended and supplemented, or is otherwise required to be made by applicable law. If any withholding or deduction for or on account of tax requirements is made in respect of any payment under the Notes, neither the Issuer nor any other person shall have any obligation to pay any additional amount(s) to any holder of Notes of any class.

By operation of Italian law, the Issuer's right, title and interest in and to the Portfolio will be segregated from all other assets of the Issuer and amounts deriving therefrom will only be available, both prior to and following a winding up of the Issuer, to satisfy the obligations of the Issuer to the holders of the Notes and to pay any costs, fees and expenses payable to the Representative of the Noteholders, the Originator, the Servicer, the Corporate Services Provider, the Account Banks, the Paying Agents, the Cash Manager, the Calculation Agent, the Luxembourg Agent, the Swap Counterparty, the Subordinated Loan Provider, the Security Trustee and to any third party creditor in respect of any costs, fees or expenses owed by the Issuer to such third party creditors in relation to the securitisation of the Portfolio (the "**Securitisation**"). Amounts derived from the Portfolio will not be available to any other creditors of the Issuer or to any such creditors of the Issuer in respect of any other amounts owed to them. The Noteholders will agree that the Issuer Available Funds (as defined in Condition 1 (*Recitals, Exhibits and Definitions*) of the Terms and Conditions of the Notes) will be applied by the Issuer in accordance with the order of priority of application of the Issuer Available Funds set out in the Terms and Conditions of the Notes (the "**Order of Priority**"). See "*Transaction Summary Information – Transaction Documents – Security for the Notes*".

The Notes of each Class will be subject to mandatory *pro rata* redemption in whole or in part from time to time on each Payment Date following the expiry of a period of eighteen months after the Issue Date (the "**Initial Period**"). The aggregate amount to be applied in mandatory *pro rata* redemption in part will be calculated in accordance with the provisions set out in Condition 7.2 (*Mandatory pro rata Redemption*) of the Terms and Conditions of the Notes. On any Payment Date falling in or after January 2006, the Issuer may, in certain circumstances, redeem all (but not some only) of the Notes at the principal amount then outstanding under the Notes of each Class together with accrued interest on such Payment Date, in accordance with the provisions set out in Condition 7.3(i) (*Optional Redemption of the Notes*) of the Terms and Conditions of the Notes. The Issuer, may in certain other circumstances set forth in Condition 7.3(ii) (*Optional Redemption of the Notes*) and Condition 7.4 (*Redemption for taxation*), redeem the Notes, pursuant to the provisions set out therein. Unless previously redeemed, the Notes will mature on the Payment Date falling in October 2043 (the "**Final Maturity Date**"), on which date if any amounts remain outstanding in respect of the relevant Notes, such amounts shall be deemed to be released by the holders of the relevant Notes and the Notes shall be cancelled.

The Notes will be held in dematerialised form on behalf of the beneficial owners as at the Issue Date until redemption or cancellation thereof, by Monte Titoli S.p.A. ("**Monte Titoli**") for the account of the relevant Monte Titoli Account Holders (as defined below). The expression "**Monte Titoli Account Holders**" means any authorised financial intermediary institution entitled to hold accounts on behalf of their customers with Monte Titoli and includes any depository banks appointed by Clearstream Banking S.A. ("**Clearstream**") and Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**"). Monte Titoli shall act as depository for Clearstream and Euroclear. The Notes will at all times be evidenced by book-entries in accordance with the provisions of Article 28 of Italian Legislative Decree No. 213 of 24 June 1998 and with Resolution No. 11768 of 23 December 1998 of the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**"), as amended by CONSOB Resolution No. 12497 of 20 April 2000 and as subsequently amended and supplemented. No physical document of title will be issued in respect of the Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and are being offered only outside the United States in compliance with Regulation S under the Securities Act ("**Regulation S**").

The Class A Notes are expected, on issue, to be rated AAA by Fitch Ratings Limited ("**Fitch**") and Aaa by Moody's Investors Service Inc. ("**Moody's**") and, together with Fitch, the "**Rating Agencies**"), the Class B Notes are expected, on issue, to be rated AA- by Fitch and Aa2 by Moody's; and the Class C Notes are expected, on issue, to be rated BBB by Fitch and Baa2 by Moody's. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal by the assigning rating organisation.

For a discussion of certain risks and other factors that should be considered in connection with an investment in the Notes, see the section entitled "*Special Considerations*".

Arrangers

CDC IXIS Capital Markets	**UBS Investment Bank**	**WestLB AG**

Joint Lead Managers

CDC IXIS Capital Markets	**UBS Investment Bank**	**WestLB AG**

Dated 22 July 2004

The Issuer accepts responsibility for the information contained in this document, other than that information for which CARIGE and CDC IXIS Capital Markets accept responsibility as described in the following paragraphs. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), such information is true, exact, accurate and not misleading and does not omit anything likely to affect the import of such information.

CARIGE accepts responsibility for the information included in this document in the sections headed "The Portfolio", "Credit Policy, Collection and Recovery Procedures" and "The Originator", any other information contained in this document relating to itself, the collection procedures relating to the claims in the Portfolio, the Receivables and the Mortgage Loans. To the best of the knowledge and belief of CARIGE (which has taken all reasonable care to ensure that such is the case), such information is true, exact, accurate and not misleading and does not omit anything likely to affect the import of such information.

CDC IXIS Capital Markets has provided the information relating to itself under the section headed "the Swap Counterparty" and accepts responsibility for the information contained in that section relating to itself. Save as aforesaid, CDC IXIS Capital Markets has not, however, been involved in the preparation of, and none of CDC IXIS Capital Markets, UBS Limited or WestLB AG, London Branch accepts any responsibility for, this Offering Circular or any part hereof.

CARIGE has given certain representations and warranties in favour of the Issuer in relation to the Portfolio and has agreed to indemnify the Issuer in respect of certain liabilities of the Issuer incurred in connection with the purchase and ownership of the Portfolio. None of the Issuer, the Arrangers, the Joint Lead Managers or any other party to the Transaction Documents (as defined in "Glossary of Terms") other than CARIGE has undertaken or will undertake any investigation, searches or other actions to verify the details of the Portfolio sold by CARIGE to the Issuer, or to establish the creditworthiness of any Borrower.

No person has been authorised to give any information or to make any representation not contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Arrangers, the Joint Lead Managers, the Representative of the Noteholders, the Issuer, the Servicer, the Corporate Services Provider, the Account Banks, the Paying Agents, the Cash Manager, the Calculation Agent, the Luxembourg Agent, the Swap Counterparty, the Subordinated Loan Provider, the Security Trustee (each as defined below in "Principal Parties") or CARIGE (in any capacity). None of the aforementioned parties, other than the Issuer, CARIGE and the Swap Counterparty and each to the extent set out above, accepts responsibility for the accuracy or completeness of the information contained in this Offering Circular. Neither the delivery of this document nor any offer, sale or allotment made in connection with the offering of any of the Notes shall, under any circumstances, constitute a representation or imply that there has been no change in the condition (financial or otherwise) of the Issuer, CARIGE and the Swap Counterparty or the information contained herein since the date hereof or that the information contained herein is correct as at any time subsequent to the date hereof.

The Notes will be direct, secured, limited recourse obligations solely of the Issuer. In particular, the Notes will not be obligations or responsibilities of, or guaranteed by, any of the Representative of the Noteholders, the Originator, the Servicer, the Corporate Services Provider, the Account Banks, the Paying Agents, the Cash Manager, the Calculation Agent, the Luxembourg Agent, the Swap Counterparty, the Subordinated Loan Provider, the Security Trustee, CARIGE (in any capacity), the Arrangers and the Joint Lead Managers. Furthermore, none of such persons accepts any liability whatsoever in respect of any failure by the Issuer to make payment of any amount due on the Notes.

The distribution of this document and the offer, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this document (or any part of it) comes are required by the Issuer, the Arrangers, the Joint Lead Managers to inform themselves about, and to observe, any such restrictions. Neither this document nor any part of it constitutes an offer, and may not be used for the purpose of an offer, to sell any of the Notes, or a solicitation of any offer to buy any of the Notes, by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or any other state securities laws and are subject to U.S. tax law requirements. Subject to certain exceptions the Notes may not be offered or sold within the United States or for the benefit of U.S. persons (as defined in Regulation S under the Securities Act). See "Subscription and Sale".

The Notes may not be offered or sold directly or indirectly, and neither this document nor any other offering circular or any prospectus, form of application, advertisement, other offering material or other information relating to the Issuer or the Notes may be issued, distributed or published in any country or jurisdiction (including the Republic of Italy, the United Kingdom and the United States), except under circumstances that will

result in compliance with all applicable laws, orders, rules and regulations. This document may not be used for any purpose other than that for which it is being published. For a further description of certain restrictions on offers and sales of the Notes and the distribution of this document, see "Subscription and Sale" below.

No action has or will be taken which would allow an offering (nor a "sollecitazione all'investimento") of the Notes to the public in the Republic of Italy unless in compliance with the relevant Italian securities, tax and other applicable laws and regulations. Accordingly, the Notes may not be offered, sold or delivered and neither this document nor any other offering material relating to the Notes may be distributed or made available to the public in the Republic of Italy. Individual sales of the Notes to any persons in the Republic of Italy may only be made in accordance with Italian securities, tax and other applicable laws and regulations.

Words and expressions in this document shall have the same meanings as those set out in the "Glossary of Terms" below. These and other terms used in this document are subject to the definitions of such terms set out in the Transaction Documents, as amended from time to time.

Certain monetary amounts and currency translations included in this Offering Circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In this Offering Circular, references to "Euro", "EUR" and "cents" are to the single currency introduced in the member states of the European Community which adopted the single currency in accordance with the Treaty of Rome of 25 March 1957, as amended by, inter alia, the Single European Act 1986 and the Treaty of European Union of 7 February 1992 establishing the European Union and the European Council of Madrid of 16 December 1995.

In connection with the distribution of the Notes, UBS Limited may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the Issue Date. However, there may be no obligation on UBS Limited or any of its agents to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period.

Contents

Principal Parties

Issuer	Argo Mortgage 2 S.r.l. ("**AM2**") is a limited liability company incorporated in the Republic of Italy under Article 3 of Italian Law No. 130 of 30 April 1999 (*legge sulla cartolarizzazione dei crediti*) (the "**Securitisation Law**"), registered in the register held by *Ufficio Italiano Cambi* pursuant to Article 106 of Italian Legislative Decree No. 385 of 1 September 1993 (as amended and integrated from time to time, the "**Consolidated Banking Act**") under number 35604 and registered in the Register of Companies held in Genoa under number 01468350994. Application has been made by the Issuer for registration in the special section of the register held by the Bank of Italy pursuant to Article 107 of the Consolidated Banking Act. The Issuer's registered office is at via Cassa di Risparmio No. 15, Genoa, Italy.
Originator	Banca Carige S.p.A. ("**CARIGE**") is a bank organised under the laws of the Republic of Italy, registered in the Register of Companies held in Genoa under number 55882 and with the Bank of Italy under Article 13 of the Consolidated Banking Act under number 5074. CARIGE's registered office is at via Cassa di Risparmio No. 15, Genoa, Italy. The long-term and short-term unsecured, unsubordinated and unguaranteed debt obligations of CARIGE are currently rated respectively "A2" and "P-1" by Moody's, "A" and "F1" by Fitch and "A-" and "A-2" by S&P.
Servicer	CARIGE.
Corporate Services Provider	CARIGE.
Representative of the Noteholders	Deutsche Trustee Company Limited.
Account Bank	CARIGE, in respect of all Accounts other than the AM2 Payment Account.
Payment Account Bank	Deutsche Bank S.p.A., in respect of the AM2 Payment Account (and together with the Account Bank, the "**Account Banks**").
Cash Manager	CARIGE.
Calculation Agent	Deutsche Bank AG, London.
Principal Paying Agent	Deutsche Bank AG, London.
Italian Paying Agent	Deutsche Bank S.p.A. (and together with the Principal Paying Agent, the "**Paying Agents**").
Luxembourg Agent	Deutsche Bank Luxembourg SA.
Security Trustee	Deutsche Trustee Company Limited.
Swap Counterparty	CDC IXIS Capital Markets, London Branch ("**CDC ICM London**").
Swap Calculation Agent	CDC ICM London.
Subordinated Loan Provider	CARIGE.
Quotaholders	Stichting Faro and Columbus CARIGE Immobiliare S.p.A. ("**Columbus**").
Arrangers	CDC IXIS Capital Markets ("**CDC ICM**"), UBS Limited ("**UBS**") and WestLB AG, London Branch ("**WestLB**").
Joint Lead Managers	CDC ICM, UBS and WestLB.

Transaction Summary

The following is a summary of certain aspects of the transactions relating to the Notes (as defined below) and should be read in conjunction with, and is qualified in its entirety by reference to, the detailed information presented elsewhere in this document and in the Transaction Documents. All capitalised words and expressions in this Transaction Summary Summary shall have the same meanings as those set out in "Glossary of Terms".

Principal Features of the Notes

The Notes

On the Issue Date, the Issuer will issue:

- Euro 808,300,000 Class A Residential Mortgage Backed Floating Rate Notes due October 2043 (the "**Class A Notes**");
- Euro 26,800,000 Class B Residential Mortgage Backed Floating Rate Notes due October 2043 (the "**Class B Notes**"); and
- Euro 29,350,000 Class C Residential Mortgage Backed Floating Rate Notes due October 2043 (the "**Class C Notes**" and, together with the Class A Notes and the Class B Notes, the "**Notes**").

Issue Price

The Notes will be issued at the following percentages of their principal amount:

Class	Issue Price
Class A Notes	100%
Class B Notes	100%
Class C Notes	100%

Form and Denomination of the Notes

The Notes will be held in dematerialised form on behalf of the ultimate owners, until redemption or cancellation thereof, by Monte Titoli for the account of the relevant Monte Titoli Account Holder. Monte Titoli shall act as depository for Clearstream and Euroclear. Title to the Notes will be evidenced by book entries in accordance with the provisions of Article 28 of the Italian Legislative Decree No. 213 of 24 June 1998 and CONSOB Resolution No. 11768 of 23 December 1998, as amended by CONSOB Resolution No. 12497 of 20 April 2000 and as subsequently amended and supplemented. No physical document of title will be issued in respect of the Notes. The Notes will be issued in denominations of Euro 50,000.

Status

The Notes will constitute direct, secured and limited recourse obligations of the Issuer. Each Noteholder and each Other Issuer Creditor (as defined below) will have a claim against the Issuer only to the extent of the Issuer Available Funds (as defined below). The Intercreditor Agreement sets out the order of priority in respect of the application of the Issuer Available Funds.

In respect of the obligation of the Issuer to pay interest on the Notes before the delivery of an Enforcement Notice upon the occurrence of an Enforcement Event, the Class A Notes will rank *pari passu* without preference or priority amongst themselves and in priority to the Class B Notes and the Class C Notes; the Class B Notes will rank *pari passu* without preference or priority amongst themselves and in priority to the Class C Notes but subordinated to the Class A Notes; and the Class C Notes will rank *pari passu* without preference or priority amongst themselves but subordinated to the Class A Notes and the Class B Notes.

In respect of the obligation of the Issuer to repay principal on the Notes before the delivery of an Enforcement Notice upon the occurrence of an Enforcement Event, the Class A Notes will rank *pari passu* without preference or priority amongst themselves and in priority to the Class B Notes and the Class C Notes; the Class B Notes will rank *pari passu* without preference or priority amongst themselves and in priority to the Class C Notes but subordinated to the Class A Notes; and the Class C Notes will rank *pari passu* without preference or priority amongst themselves but subordinated to the Class A Notes and the Class B Notes.

After the delivery of an Enforcement Notice upon the occurrence of an Enforcement Event, in respect of the obligation of the Issuer to pay interest and repay principal on the Notes, the Class A Notes will rank *pari passu* without preference or priority amongst themselves and in priority to the Issuer's obligation to pay interest and repay principal on the Class B Notes and the Class C Notes; the Class B Notes will rank *pari passu* without preference or priority amongst themselves and in priority to the Issuer's obligation to pay interest and repay principal on the Class C Notes but subordinated to the Issuer's obligation to pay interest and repay principal on the Class A Notes; and the Class C Notes will rank *pari passu* without preference or priority amongst themselves but subordinated to the Issuer's obligation to pay interest and repay principal on the Class A Notes and the Class B Notes.

Interest

The Notes will bear interest from and including the Issue Date at the following respective Relevant Margins above, in the case of the Initial Interest Period only, the rate per annum obtained by linear interpolation of Euribor (as determined in accordance with Condition 6 (*Interest*) of the Terms and Conditions of the Notes) for three month and four month deposits in Euro and, in the case of Interest Periods thereafter, Three Month Euribor (as determined and defined in accordance with Condition 6 (*Interest*) of the Terms and Conditions of the Notes):

- Class A Notes: 0.18% per annum;
- Class B Notes: 0.32% per annum; and
- Class C Notes: 0.83% per annum.

Interest on the Notes will be payable quarterly in arrear on the 27th day of January, April, July and October in each year (provided that, if such day is not a Business Day, then interest on such Notes will be payable on the next succeeding Business Day) (each, a "**Payment Date**") as provided in the relevant Terms and Conditions of the Notes, provided that following the delivery of an Enforcement Notice upon the occurrence of an Insolvency Event, the Payment Date may be any Business Day as shall be specified in the Enforcement Notice.

The first payment of interest in respect of the Notes will be payable on the Payment Date falling in October 2004 (the "**First Payment Date**"). The period from and including the Issue Date to (but excluding) the First Payment Date (the "**Initial Interest Period**") and each successive period from and including a Payment Date to but excluding the next succeeding Payment Date is referred to as an "**Interest Period**".

Accounts:

AM2 Collection Account

Pursuant to the terms of the cash allocation, management and agency agreement entered into on or about the Issue Date between the Issuer, the Representative of the Noteholders, the Cash Manager, the Account Banks, the Paying Agents, the Luxembourg Agent and the Calculation Agent (the "**Cash Allocation, Management and Agency Agreement**"), the Issuer will on or before the Issue Date open a Euro-denominated account with the Account Bank (the "**AM2 Collection Account**") *to which* the collections received in connection with the Portfolio will be credited. All amounts standing to the credit of the AM2 Collection Account (other than the Excluded Collections, if any) will be transferred to the AM2 Investment Account (as defined below) at the end of each Local Business Day. The Excluded Collections will be paid to the Originator pursuant to the provisions of the Transfer Agreement.

AM2 Expenses Account

Pursuant to the Cash Allocation, Management and Agency Agreement, the Issuer will on or before the Issue Date open a Euro-denominated account with the Account Bank (the "**AM2 Expenses Account**") *to which* an amount of Euro 80,000 (the "**Initial Disbursement Amount**") will be retained on the Issue Date out of the funds received by the Issuer pursuant to the Subordinated Loan Agreement. Thereafter on each Payment Date an amount equal to the Issuer

Disbursement Amount will be paid to the AM2 Expenses Account out of the Issuer Available Funds in accordance with the applicable Order of Priority.

The amount standing from time to time to the credit of the AM2 Expenses Account may be used by the Issuer to pay costs and expenses of the Issuer referred to under items (i), (ii) and (iv) of the Pre-Enforcement Order of Priority or the Post-Enforcement Order of Priority and for such purposes, funds may be withdrawn from the account other than on a Payment Date. On the Issue Date, the net subscription price for the Notes will be transferred from the AM2 Payment Account to the AM2 Expenses Account and, together with the Subordinated Loan credited to the AM2 Expenses Account by the Subordinated Loan Provider, will be used to: (i) fund the Initial Disbursement Amount; (ii) pay the Initial Purchase Price to the Originator; (iii) credit the Initial Cash Collateral Amount to the AM2 Cash Collateral Account; (iv) credit the AM2 Quota Capital Account with an amount to bring the balance of such Account to Euro 10,000; and (v) pay the Closing Costs.

AM2 Quota Capital Account

Pursuant to the Cash Allocation, Management and Agency Agreement, the Issuer will on or before the Issue Date open a Euro-denominated account with the Account Bank (the "**AM2 Quota Capital Account**") *to which* all sums contributed by the Quotaholders of the Issuer as quota capital will be credited and an amount will be credited on the Issue Date, out of the funds received by the Issuer pursuant to the Subordinated Loan Agreement, to bring the balance of the AM2 Quota Capital Account to Euro 10,000.

AM2 Investment Account

Pursuant to the Cash Allocation, Management and Agency Agreement, the Issuer will on or before the Issue Date open a Euro-denominated account with the Account Bank (the "**AM2 Investment Account**") *to which*, *inter alia*, (a) sums standing from time to time to the credit of the AM2 Collection Account (other than the Excluded Collections, if any) will be credited at the end of each Local Business Day; (b) amounts received by the Issuer under the Transaction Documents except the Swap Agreement (other than the Collections and any other sums deriving from the Portfolio) will be deposited (save as otherwise specifically provided); and (c) three Business Days prior to each Payment Date, the amount standing to the credit of the AM2 Cash Collateral Account on the immediately preceding Collection Date will be transferred from the AM2 Cash Collateral Account; and *out of which* (d) such amount of the Issuer Available Funds available to pay interest and/or repay principal to the Noteholders on each Payment Date in accordance with the Payments Report will be transferred two Business Days prior to the relevant Payment Date to the AM2 Payment Account (less, on the First Principal Repayment Date only, the amount standing to the credit of the AM2 Principal Accumulation Account and available for such purpose, which will be transferred to the AM2 Payment Account from the AM2 Principal Accumulation Account); and (e) on each Payment Date, payments due to all parties other than the Noteholders will be made in accordance with the Payments Report.

AM2 Principal Accumulation Account

Pursuant to the Cash Allocation, Management and Agency Agreement, the Issuer will on or before the Issue Date open a Euro-denominated account with the Account Bank (the "**AM2 Principal Accumulation Account**") *to which* on each Payment Date prior to the Payment Date falling in January 2006, all sums payable under item (xii) of the Pre-Enforcement Order of Priority or, as the case may be, items (ix), (xi) and (xiii) of the Post-Enforcement Order of Priority will be paid. On the Payment Date falling in January 2006 (or, if earlier, the Payment Date immediately succeeding (a) the delivery of an Enforcement Notice upon the occurrence of an Insolvency Event or (b) early redemption for taxation of the Notes of all Classes under Condition 7.4) (such date is hereinafter referred to as the "**First Principal Repayment Date**"), all sums standing to the credit of the AM2 Principal Accumulation Account will form part of the Issuer Available Funds, *provided that* if the Issuer Available Funds on any Payment Date prior to (but excluding) the First Principal Repayment Date would, excluding the relevant amounts from the AM2 Principal Accumulation Account, be

	insufficient to satisfy the Issuer's payment obligations under items (i) to (xi) (inclusive) of the Pre-Enforcement Order of Priority or items (i) to (viii) (inclusive) of the Post-Enforcement Order of Priority, the Issuer Available Funds shall, on such Payment Date, also include an amount not exceeding the balance of the AM2 Principal Accumulation Account on the immediately preceding Collection Date in order to enable the Issuer to satisfy the aforementioned payment obligations.
AM2 Cash Collateral Account	Pursuant to the Cash Allocation, Management and Agency Agreement, the Issuer will on or before the Issue Date open a Euro-denominated account with the Account Bank (the "**AM2 Cash Collateral Account**") *to which* the Initial Cash Collateral Amount (as defined below) will be paid on the Issue Date out of the funds received by the Issuer pursuant to the Subordinated Loan Agreement and thereafter on each Payment Date prior to the delivery of an Enforcement Notice, all sums payable under item (xviii) of the Pre-Enforcement Order of Priority will be credited. Three Business Days before each Payment Date, the amount standing to the credit of the AM2 Cash Collateral Account on the immediately preceding Collection Date will be transferred to the AM2 Investment Account.
AM2 Payment Account	Pursuant to the Cash Allocation, Management and Agency Agreement, the Issuer will on or before the Issue Date open a Euro-denominated account with the Payment Account Bank (the "**AM2 Payment Account**") *to which* account (a) amounts due and payable to the Issuer by the Swap Counterparty under the Swap Agreement will be paid on each Swap Payment Date; (b) two Business Days before each Payment Date, such amount of the Issuer Available Funds available to pay interest and/or repay principal to the Noteholders on each Payment Date in accordance with the Payments Report will be transferred from the AM2 Investment Account and, if appropriate, the AM2 Principal Accumulation Account; and out of which (c) on each Payment Date, payments due to be made by the Issuer to the Noteholders in accordance with the Payments Report will be made. On the Issue Date, the net subscription price of the Notes will be paid into the AM2 Payment Account and thereafter will be transferred to the AM2 Expenses Account.
AM2 Securities Accounts	Pursuant to the Cash Allocation, Management and Agency Agreement, the Issuer will on or before the Issue Date open three securities accounts with the Account Bank, namely, the "**AM2 Investment Securities Account**", the "**AM2 Principal Accumulation Securities Account**" and the "**AM2 Cash Collateral Securities Account**" (together, the "**AM2 Securities Accounts**" and together with the AM2 Collection Account, the AM2 Expenses Account, the AM2 Quota Capital Account, the AM2 Investment Account, the AM2 Principal Accumulation Account, the AM2 Cash Collateral Account and the AM2 Payment Account, the "**Accounts**") *to which* all securities constituting Eligible Investments deriving from the investment of funds standing to the credit of the AM2 Investment Account, the AM2 Principal Accumulation Account and the AM2 Cash Collateral Account, respectively, will be deposited from time to time in accordance with the provisions of the Cash Allocation, Management and Agency Agreement and pledged in accordance with the provisions of the Intercreditor Agreement and the Italian Deed of Pledge referred to below.
Eligible Investments	Pursuant to the terms of the Cash Allocation, Management and Agency Agreement, amounts on deposit under each of the AM2 Investment Account, the AM2 Principal Accumulation Account and the AM2 Cash Collateral Account may be invested in Eligible Investments by the Cash Manager.
Issuer Available Funds	On each Payment Date the Issuer Available Funds shall comprise: (a) all the sums received or recovered by the Issuer from or in respect of the Receivables during the Collection Period immediately preceding such Payment Date, except for the Excluded Collections;

(b) all amounts paid to the Issuer on the Swap Payment Date immediately preceding such Payment Date under the terms of the Swap Agreement, provided that (i) any amount provided by or on behalf of the Swap Counterparty as collateral; and (ii) the cash benefit of any Tax Credit (such term as defined in the Swap Agreement) due to the Swap Counterparty, shall not form part of the Issuer Available Funds;

(c) all amounts received by the Issuer pursuant to the Transfer Agreement during the Collection Period immediately preceding such Payment Date;

(d) any profit generated by or interest accrued and paid on the Eligible Investments in the Collection Period immediately preceding such Payment Date;

(e) any amount standing to the credit of the AM2 Cash Collateral Account on the Collection Date immediately preceding such Payment Date;

(f) any interest accrued on and credited to the AM2 Expenses Account, the AM2 Collection Account, the AM2 Investment Account, the AM2 Principal Accumulation Account, the AM2 Cash Collateral Account and the AM2 Payment Account, in each case, in the Collection Period immediately preceding such Payment Date;

(g) any other amount, not included in the foregoing items (a), (b), (c), (d), (e) or (f), received by the Issuer and deposited in the AM2 Collection Account and/or the AM2 Investment Account during the Collection Period immediately preceding such Payment Date; and

(h) all amounts received from the sale of all or part of the Portfolio should such sale occur and proceeds (if any) from the enforcement of the Issuer's Rights,

provided that:

(i) subject to (ii) below, amounts set aside to the AM2 Principal Accumulation Account on Payment Date(s) prior to (but excluding) the First Principal Repayment Date (except for the amounts set aside to the AM2 Principal Accumulation Account on the Payment Date immediately preceding the First Principal Repayment Date) will not form part of the Issuer Available Funds on the Payment Date(s) immediately succeeding each such Payment Date(s). On the First Principal Repayment Date, the amount standing to the balance of the AM2 Principal Accumulation Account will form part of the Issuer Available Funds on such date; and

(ii) if the Issuer Available Funds on any Payment Date prior to (but excluding) the Payment Date falling in January 2006, so calculated, are insufficient to satisfy the Issuer's payment obligations under items (i) to (xi) (inclusive) of the Pre- Enforcement Order of Priority or, as the case may be, items (i) to (viii) (inclusive) of the Post-Enforcement Order of Priority, the Issuer Available Funds shall, on such Payment Date, also include an amount not exceeding the balance of the AM2 Principal Accumulation Account on the immediately preceding Collection Date in order to enable the Issuer to satisfy the aforementioned payment obligations.

Pre-Enforcement Order of Priority

Prior to the service of an Enforcement Notice, the Issuer Available Funds shall be applied on each Payment Date (or, in the case of payments that are to be made after the Payment Date and which are provided for in the Payments Report immediately preceding such Payment Date, on the date for payment specified in such report), in making or providing for the following payments, in the following order of priority (the "**Pre-Enforcement Order of Priority**") (in each case, only if and to the extent that payments of a higher priority have been made in full):

(i) in or towards satisfaction *pari passu* and *pro rata* according to the respective amounts thereof, of taxes due and payable by the Issuer, to

the extent that such sums have not already been met by utilising the amount standing to the credit of the AM2 Expenses Account;

(ii) in or towards satisfaction *pari passu* and *pro rata* according to the respective amounts thereof, of any costs and expenses due and payable in relation to preserving the corporate existence of the Issuer, maintaining it in good standing and in compliance with applicable legislation, to the extent that such costs and expenses have not already been met by utilising the amount standing to the credit of the AM2 Expenses Account;

(iii) in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the fees, costs and expenses of, and all other amounts due and payable to, the Representative of the Noteholders, the Security Trustee and the receiver (if appointed) in respect of the security granted pursuant to the English Deed of Charge;

(iv) in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of all due and payable costs and expenses incurred by the Issuer and any other amount payable by the Issuer in respect of the Securitisation, other than those payable to parties to the Intercreditor Agreement, to the extent that such payment obligations have not already been met by utilising the amount standing to the credit of the AM2 Expenses Account;

(v) in or towards satisfaction *pari passu* and *pro rata* according to the respective amounts thereof, of the fees, costs and expenses of, and all other amounts due and payable to: the Cash Manager, the Calculation Agent, the Luxembourg Agent, the Account Banks and the Paying Agents under the Cash Allocation, Management and Agency Agreement and the Corporate Services Provider under the Corporate Services Agreement;

(vi) in or towards satisfaction *pari passu* and *pro rata* according to the respective amounts thereof, of (a) the Servicing Fee; and (b) the Issuer Disbursement Amount;

(vii) on the First Payment Date only, to pay to the Originator Interest on the Initial Purchase Price pursuant to the Transfer Agreement, provided that if paid only in part on the First Payment Date, the residual amount shall be paid on successive Payment Date(s);

(viii) in or towards satisfaction of all amounts payable to the Swap Counterparty under the Swap Agreement, other than amounts payable by the Issuer upon termination of the Swap Agreement in the event of default of the Swap Counterparty thereunder or following an Additional Termination Event which has occurred in connection with a Rating Event and the Swap Counterparty is the Sole Affected Party (as each such term is defined in the Swap Agreement);

(ix) in or towards satisfaction of interest due and payable on the Class A Notes;

(x) if the Cumulative Default Ratio on any preceding Collection Date is lower than 13.8%, in or towards satisfaction of interest due and payable on the Class B Notes;

(xi) if the Cumulative Default Ratio on any preceding Collection Date is lower than 8.0%, in or towards satisfaction of interest due and payable on the Class C Notes;

(xii) on any Payment Date falling before January 2006, in or towards payment of the Principal Amortisation Amount which amount will be paid into the AM2 Principal Accumulation Account;

(xiii) commencing on (and including) the Payment Date falling in January 2006, in or towards payment of the Class A Amortisation Amount, to be used towards mandatory *pro rata* redemption of the Class A Notes in accordance with Condition 7.2;

(xiv) if the Cumulative Default Ratio on any preceding Collection Date is equal to or greater than 13.8%, in or towards satisfaction of interest due and payable on the Class B Notes;

(xv) commencing on (and including) the Payment Date falling in January 2006, in or towards payment of the Class B Amortisation Amount, to be used towards mandatory *pro rata* redemption of the Class B Notes in accordance with Condition 7.2;

(xvi) if the Cumulative Default Ratio on any preceding Collection Date is equal to or greater than 8.0%, in or towards satisfaction of interest due and payable on the Class C Notes;

(xvii) commencing on (and including) the Payment Date falling in January 2006, in or towards payment of the Class C Amortisation Amount, to be used towards mandatory *pro rata* redemption of the Class C Notes in accordance with Condition 7.2;

(xviii) up to (but excluding) the Payment Date when the Notes will be redeemed in full, to pay into the AM2 Cash Collateral Account an amount (if any) so that the balance of such account, after such payment, is equivalent to the Scheduled Cash Collateral Amount ;

(xix) in or towards satisfaction of any amount payable by the Issuer upon termination of the Swap Agreement in the event of default of the Swap Counterparty thereunder or following an Additional Termination Event which has occurred in connection with a Rating Event and the Swap Counterparty is the Sole Affected Party;

(xx) in or towards satisfaction *pari passu* and *pro rata* according to the respective amounts thereof of any other amounts due and payable to (a) the Originator pursuant to any of the Transfer Agreement and the Subscription Agreement and (b) the Servicer pursuant to the Servicing Agreement, to the extent not already paid under other items of this Order of Priority;

(xxi) in or towards satisfaction of any interest due and payable to the Subordinated Loan Provider under the Subordinated Loan Agreement;

(xxii) in or towards satisfaction of any principal due and payable to the Subordinated Loan Provider under the Subordinated Loan Agreement; and

(xxiii) in or towards satisfaction of the Deferred Purchase Price,

provided that:

(A) if on any Payment Date falling after a Collection Date (other than the immediately preceding Collection Date) on which the Cumulative Default Ratio was equal to or greater than 13.8%, the Cumulative Default Ratio of the Collection Date immediately preceding such Payment Date falls below 13.8% **and** the amount standing to the balance of the AM2 Cash Collateral Account as of the immediately preceding Collection Date is equal to or greater than the Initial Cash Collateral Amount, interest due and payable on the Class B Notes will be paid under item (x) of the Pre-Enforcement Order of Priority; and

(B) if on any Payment Date falling after a Collection Date (other than the immediately preceding Collection Date) on which the Cumulative Default Ratio was equal to or greater than 8.0%, the Cumulative Default Ratio of the Collection Date immediately preceding such

Payment Date falls below 8.0% **and** the amount standing to the balance of the AM2 Cash Collateral Account as of the immediately preceding Collection Date is equal to or greater than the Initial Cash Collateral Amount, interest due and payable on the Class C Notes will be paid under item (xi) of the Pre-Enforcement Order of Priority.

Post-Enforcement Order of Priority

Following the service of an Enforcement Notice, the Issuer Available Funds shall be applied on each Payment Date in making or providing for the following payments, in the following order of priority (the "**Post-Enforcement Order of Priority**") (in each case, only if and to the extent that payments of a higher priority have been made in full):

(i) upon the occurrence of an Insolvency Event, in or towards satisfaction of any mandatory expenses relating to the insolvency proceedings in accordance with Italian bankruptcy law and thereafter, or upon the occurrence of any other Enforcement Event, in or towards satisfaction *pari passu* and *pro rata* according to the respective amounts thereof, of taxes due and payable by the Issuer, to the extent that such sums have not already been met by utilising the amount standing to the credit of the AM2 Expenses Account or have not already been paid (or are not to be paid) by the relevant bankruptcy receiver out of the sums received by it under this item (i);

(ii) in or towards satisfaction *pari passu* and *pro rata* according to the respective amounts thereof, of any costs and expenses due and payable in relation to preserving the corporate existence of the Issuer, maintaining it in good standing and in compliance with applicable legislation, to the extent that such costs and expenses have not already been met by utilising the amount standing to the credit of the AM2 Expenses Account or have not already been paid (or are not to be paid) by the relevant bankruptcy receiver out of the sums received by it under item (i) above;

(iii) in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the fees, costs and expenses of, and all other amounts due and payable to, the Representative of the Noteholders, the Security Trustee and the receiver (if appointed) in respect of the security granted pursuant to the English Deed of Charge;

(iv) in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of all due and payable costs and expenses incurred by the Issuer and any other amount payable by the Issuer in respect of the Securitisation, other than those payable to parties to the Intercreditor Agreement, to the extent that such payment obligations have not already been met by utilising the amount standing to the credit of the AM2 Expenses Account or have not already been paid (or are not to be paid) by the relevant bankruptcy receiver out of the sums received by it under item (i) above;

(v) in or towards satisfaction *pari passu* and *pro rata* according to the respective amounts thereof, of the fees, costs and expenses of, and all other amounts due and payable to: the Cash Manager, the Calculation Agent, the Luxembourg Agent, the Account Banks and the Paying Agents under the Cash Allocation, Management and Agency Agreement; and the Corporate Services Provider under the Corporate Services Agreement;

(vi) in or towards satisfaction *pari passu* and *pro rata* according to the respective amounts thereof, of (a) the Servicing Fee; and (b) the Issuer Disbursement Amount;

(vii) in or towards satisfaction of all amounts payable to the Swap Counterparty under the Swap Agreement, other than amounts payable by the Issuer upon termination of the Swap Agreement in the event of

default of the Swap Counterparty thereunder or following an Additional Termination Event which has occurred in connection with a Rating Event and the Swap Counterparty is the Sole Affected Party;

(viii) in or towards satisfaction of interest due and payable on the Class A Notes;

(ix) in or towards satisfaction *pari passu* and *pro rata*, according to the respective amounts thereof, of principal due and payable on the Class A Notes, provided that if no Insolvency Event has occurred and in the absence of a redemption for taxation of the Notes of all Classes under Condition 7.4, such amount which would otherwise have been paid to the Class A Noteholders under this item on any Payment Date falling before January 2006 shall be set aside to the AM2 Principal Accumulation Account;

(x) in or towards satisfaction of interest due and payable on the Class B Notes;

(xi) in or towards satisfaction of principal due and payable on the Class B Notes, provided that if no Insolvency Event has occurred and in the absence of a redemption for taxation of the Notes of all Classes under Condition 7.4, such amount which would otherwise have been paid to the Class B Noteholders under this item on any Payment Date falling before January 2006 shall be set aside to the AM2 Principal Accumulation Account;

(xii) in or towards satisfaction of interest due and payable on the Class C Notes;

(xiii) in or towards satisfaction of principal due and payable on the Class C Notes, provided that if no Insolvency Event has occurred and in the absence of a redemption for taxation of the Notes of all Classes under Condition 7.4, such amount which would otherwise have been paid to the Class C Noteholders under this item on any Payment Date falling before January 2006 shall be set aside to the AM2 Principal Accumulation Account;

(xiv) in or towards satisfaction of any amount payable by the Issuer upon termination of the Swap Agreement in the event of default of the Swap Counterparty thereunder or following an Additional Termination Event which has occurred in connection with a Rating Event and the Swap Counterparty is the Sole Affected Party;

(xv) to the extent that Interest on the Initial Purchase Price is not yet paid, or paid in full, to the Originator, to pay to the Originator such unpaid portion of such amount and interest thereon (if any) pursuant to the Transfer Agreement;

(xvi) in or towards satisfaction *pari passu* and *pro rata* according to the respective amounts thereof of any other amounts due and payable to (a) the Originator pursuant to any of the Transfer Agreement and the Subscription Agreement and (b) the Servicer pursuant to the Servicing Agreement, to the extent not already paid under other items of this Order of Priority;

(xvii) in or towards satisfaction of any interest due and payable to the Subordinated Loan Provider under the Subordinated Loan Agreement;

(xviii) in or towards satisfaction of any principal due and payable to the Subordinated Loan Provider under the Subordinated Loan Agreement; and

(xix) in or towards satisfaction of the Deferred Purchase Price.

Cumulative Default Ratio

"**Cumulative Default Ratio**" means, with reference to any Collection Date, the percentage equivalent to a fraction the numerator of which is equal to the cumulative Defaulted Amount of all the preceding Collection Periods minus any amount recovered in respect of the Defaulted Receivables and the Non-performing Receivables to (and including) such Collection Date; and the denominator of which is equal to the Outstanding Principal (as of the Effective Date) of the Mortgage Loans comprised in the Portfolio.

Cash Collateral

On the Issue Date, an amount of Euro 16,425,000 (the "**Initial Cash Collateral Amount**") will be paid into the AM2 Cash Collateral Account out of the funds received by the Issuer pursuant to the Subordinated Loan Agreement.

Thereafter on each Payment Date prior to the delivery of an Enforcement Notice to (but excluding) the Payment Date on which the Notes will be redeemed in full, the Issuer will, in accordance with the Pre-Enforcement Order of Priority, pay into the AM2 Cash Collateral Account an amount so that the balance of such account, after such payment, is equal to:

(a) if the Cumulative Default Ratio as of the last preceding Collection Date is higher than 6%, Euro 18,590,000; or

(b) if the Cumulative Default Ratio as of the last preceding Collection Date is lower than or equal to 6%:

  (i) the Initial Cash Collateral Amount; or

  (ii) upon and following redemption of 50% (fifty per cent) of the Initial Principal Amount of the Class A Notes, Euro 7,600,000; or

  (iii) upon and following redemption in full of the Class B Notes, the lower of (x) the Principal Outstanding Amount of the Class C Notes and (y) Euro 3,800,000;

(the "**Scheduled Cash Collateral Amount**").

Principal Amortisation Amount

"**Principal Amortisation Amount**" means, on each Payment Date falling before January 2006, the greater of (i) nil; and (ii) an amount equal to:

(a) the aggregate Principal Amount Outstanding of the Class A Notes, the Class B Notes and the Class C Notes as at the immediately preceding Collection Date; less

(b) the aggregate Outstanding Principal of the Collateral Portfolio as at the immediately preceding Collection Date; less

(c) such amounts set aside by way of Principal Amortisation Amount on preceding Payment Date(s), less any such amount that has been included in the Issuer Available Funds on preceding Payment Date(s) as a result of the insufficiency of the Issuer Available Funds to satisfy the Issuer's payment obligations under items (i) to (xi) (inclusive) of the Pre-Enforcement Order of Priority or, as the case may be, items (i) to (viii) (inclusive) of the Post-Enforcement Order of Priority.

Class A Amortisation Amount

"**Class A Amortisation Amount**" means an amount equal to the lower of:

(a) the aggregate Principal Amount Outstanding of the Class A Notes as at the immediately preceding Collection Date; and

(b) the greater of:

(x) nil; and

(y) the aggregate Principal Amount Outstanding of the Class A Notes, the Class B Notes and the Class C Notes, less the aggregate Outstanding Principal of the Collateral Portfolio, in each case, as at the immediately preceding Collection Date.

Class B Amortisation Amount

"**Class B Amortisation Amount**" means an amount equal to the lower of:

(a) the aggregate Principal Amount Outstanding of the Class B Notes as at the immediately preceding Collection Date; and

(b) the greater of:

(x) nil; and

(y) the aggregate Principal Amount Outstanding of the Class B Notes and the Class C Notes, less the aggregate Outstanding Principal of the Collateral Portfolio, in each case, as at the immediately preceding Collection Date.

Class C Amortisation Amount

"**Class C Amortisation Amount**" means an amount equal to the lower of:

(a) the aggregate Principal Amount Outstanding of the Class C Notes as at the immediately preceding Collection Date; and

(b) the greater of:

(x) nil; and

(y) the aggregate Principal Amount Outstanding of the Class C Notes, less the aggregate Outstanding Principal of the Collateral Portfolio, in each case, as at the immediately preceding Collection Date.

Issuer Disbursement Amount

"**Issuer Disbursement Amount**" means an amount equal to:

(a) on each Payment Date, the difference between (x) Euro 80,000; and (y) the amount standing to the credit of the AM2 Expenses Account on the immediately preceding Collection Date; or

(b) on the Final Maturity Date or, if earlier, the Payment Date on which the Notes will be redeemed in full, the lesser of (x) the amount referred to in (a); and (y) such amount as is required to pay under items (i), (ii) and (iv) of the Pre-Enforcement Order of Priority or the Post-Enforcement Order of Priority.

Deferred Purchase Price

The Deferred Purchase Price (if any) will be paid by the Issuer on each Payment Date out of the Issuer Available Funds in accordance with the Order of Priority and, in relation to any Payment Date, is an amount (if positive) equal to:

(a) all interest accrued in respect of the Portfolio during the Collection Period immediately preceding such Payment Date (except for the Excluded Collections); *plus*

(b) any other amount (other than Principal Instalments) deriving from the Mortgage Loan Agreements (including, but not limited to, penalties for prepayment, if any) received during the Collection Period immediately preceding such Payment Date; *plus*

(c) default interest (if any) accrued on the Portfolio during the Collection Period immediately preceding such Payment Date; *plus*

(d) any interest accrued on the Accounts in the Collection Period immediately preceding such Payment Date; *plus*

(e) any profit (including capital gain, if any) generated by or interest accrued on the Eligible Investments deriving from the investment of funds standing to the credit of the AM2 Investment Account, the AM2 Principal Accumulation Account and the AM2 Cash Collateral Account in the Collection Period immediately preceding such Payment Date; *plus*

(f) all amounts (other than Principal Instalments) received by the Issuer from the Originator pursuant to the Transfer Agreement during the Collection Period immediately preceding such Payment Date; *plus*

(g) all amounts paid to the Issuer on the Swap Payment Date immediately preceding such Payment Date under the terms of the Swap Agreement; *plus*

(h) all capital gains made from the sale, during the Collection Period immediately preceding such Payment Date, of all or part of the Portfolio; *plus*

(i) any other amount not deriving from the Receivables and which are not included in the foregoing items (a), (b), (c), (d), (e), (f), (g) and (h) received by the Issuer during the Collection Period immediately preceding such Payment Date; *less*

(j) all costs, expenses, taxes and other charges which become payable by or accrued to the Issuer under items (i) to (vii) (inclusive) of the Pre-Enforcement Order of Priority or, as the case may be, items (i), (ii), (iii), (iv), (v), (vi) and (xv) of the Post Enforcement Order of Priority; *less*

(k) the Interest Amounts on the Notes in respect of the Interest Period ending on (but excluding) such Payment Date; *less*

(l) all amounts payable to the Swap Counterparty on such Payment Date; *less*

(m) all amounts to be paid by the Issuer to the Originator pursuant to the Transfer Agreement during the Collection Period immediately preceding such Payment Date; *less*

(n) the capital loss (if any) made from the Eligible Investments deriving from the investment of funds standing to the credit of the AM2 Investment Account, the AM2 Principal Accumulation Account and the AM2 Cash Collateral Account during the Collection Period immediately preceding such Payment Date; *less*

(o) any loss incurred, or expected to be incurred, in respect of the Receivables during the Collection Period immediately preceding such Payment Date.

Final Redemption of the Notes

Save as described below, unless previously redeemed in full, the Notes are due to be repaid in full at their respective Principal Amount Outstanding on the Payment Date falling in October 2043 (the "**Final Maturity Date**").

The Notes, to the extent not redeemed in full by the Final Maturity Date, shall be deemed released by the holders thereof and cancelled.

Optional Redemption

On:

(a) the Payment Date falling in January 2006 and on any Payment Date thereafter, the Issuer may redeem all (but not some only) of the Class A Notes, the Class B Notes and the Class C Notes at their Principal Amount Outstanding together with all accrued but unpaid interest thereon up to (and including) the relevant Payment Date, if the Outstanding Principal of the Portfolio is equal to or less than 10% (ten

per cent) of the lesser of: (i) the Outstanding Principal of the Portfolio as of the Effective Date; and (ii) the Initial Purchase Price, or

(b) any Payment Date, the Issuer may redeem all (but not some only) of the Class A Notes, the Class B Notes and the Class C Notes at their Principal Amount Outstanding together with all accrued but unpaid interest thereon up to (and including) such Payment Date, if following the occurrence of legislative or regulatory changes, or official interpretations thereof by competent authorities, as a result of which the Issuer would incur increased costs or charges of a fiscal nature which would materially affect payments due under the Notes.

Any such redemption (an "**Optional Redemption**") shall be effected by the Issuer on giving not more than 60 nor less than 30 days' prior notice in writing to the Representative of the Noteholders and to the holders of the Notes in accordance with Condition 14 (*Notices*) of the Terms and Conditions of the Notes and provided that the Issuer, prior to giving such notice to the Representative of the Noteholders, has produced evidence acceptable to the Representative of the Noteholders that it will have the necessary funds, not subject to interests of any other person, to discharge all its outstanding liabilities in respect of the Notes and any amounts required under the Intercreditor Agreement to be paid in priority to or *pari passu* with the Notes of each Class.

Any Optional Redemption pursuant to paragraph (b) above shall be subject to the provision by the Issuer to the Representative of the Noteholders, immediately prior to the giving of the relevant notice, of: (a) a legal opinion (in form and substance satisfactory to the Representative of the Noteholders) from a firm of lawyers in the Issuer's jurisdiction opining that on the next Payment Date the Issuer would incur increased costs or charges of a fiscal nature as a result of legislative or regulatory changes or official interpretations thereof by competent authorities which cannot be avoided, and (b) a certificate signed by the Sole Director of the Issuer to the effect that such increased costs or charges would materially affect payments due under the Notes.

The necessary funds for the purpose of the Optional Redemption of the Notes may be obtained from the sale by the Issuer of all or part of the Portfolio. Should any such sale of the Portfolio occur, such sale proceeds will form part of the Issuer Available Funds on the relevant Payment Date.

Redemption for Tax Reasons

If, at any time, the Issuer: (i) gives notice to the Representative of the Noteholders that on the next Payment Date the Issuer would be required to deduct or withhold (other than in respect of a withholding tax under Italian Legislative Decree No. 239 of 1 April 1996, as amended by Italian Law No. 409 and No. 410 of 23 November 2001 and as subsequently amended and supplemented (any such withholding, a "**Decree 239 Deduction**")) from any payment of principal or interest on the Notes of any Class any amount for or on account of any present or future taxes, duties, assessments or governmental charges by the Republic of Italy or any political subdivision thereof or any authority thereof or therein and provides the Representative of the Noteholders with a legal opinion (in form and substance satisfactory to the Representative of the Noteholders) from a firm of lawyers in the Issuer's jurisdiction opining that on the next Payment Date, the Issuer would be required to make any such deduction or withholding, and (ii) certifies to the Representative of the Noteholders and produces evidence acceptable to the Representative of the Noteholders that the Issuer will have the necessary funds, not subject to the interest of any other person, to discharge all its outstanding liabilities in respect of the relevant Class of Notes and any amounts required under the Conditions to be paid in priority to or *pari passu* with such Notes, then following receipt of a written notice from the Representative of the Noteholders authorising the redemption, the Issuer may at its option redeem, on the next succeeding Payment Date, all but not some only of the Notes of the relevant Class at their Principal Amount Outstanding together with accrued but unpaid interest up to

	and including the relevant Payment Date, having given not more than 60 nor less than 30 day's notice to the Representative of the Noteholders in writing and to the holders of such Notes in accordance with Condition 14 (*Notices*) of the Terms and Conditions of the Notes.
Withholding Tax	Payments under the Notes may in certain circumstances referred to in the section headed "*Taxation*" be subject to withholding for or on account of tax, including without limitation a Decree 239 Deduction. In such circumstances, a holder of a Note of any class will receive amounts of interest (if any) payable on the Notes of such class, net of such withholding tax. Upon the occurrence of any withholding for or on account of tax from any payments under the Notes, neither the Issuer nor any other person shall have any obligation to pay any additional amount(s) to any holder of Notes of any class.
Ratings	The Class A Notes are expected, on issue, to be rated AAA by Fitch and Aaa by Moody's; the Class B Notes are expected, on issue, to be rated AA- by Fitch and Aa2 by Moody's; and the Class C Notes are expected, on issue, to be rated BBB by Fitch and Baa2 by Moody's. **A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal by the assigning rating organisation.**
The Portfolio	The Portfolio consists of Receivables purchased by the Issuer from CARIGE and arising under performing residential mortgage loans (the "**Mortgage Loans**") originally granted to the Borrowers by CARIGE, by Istituto di Credito Fondiario della Liguria S.p.A ("**ICFL**") (before its merger into CARIGE in 1994) and by certain branches of Cassa di Risparmio di Parma e Piacenza S.p.A., Banca Intesa S.p.A., Banco di Sicilia S.p.A. and BIPOP CARIRE S.p.A. that have been transferred to CARIGE before 31 December 2003 as a result of the going concern acquisitions by CARIGE from these banks. The Mortgage Loans have been selected in accordance with certain eligibility criteria as set out in "*Description of the Transfer Agreement*" and will be serviced by CARIGE pursuant to the terms of the Servicing Agreement (See "*Description of the Servicing Agreement*"). As of 30 June 2004, the Outstanding Principal of the Mortgage Loans comprised in the Portfolio amounted to Euro 864,518,384.35. See further "*The Portfolio*".
Restrictions on Sale	The Notes have not been and will not be registered under the Securities Act and may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.
Listing	Application has been made to list the Class A Notes, the Class B Notes and the Class C Notes on the Luxembourg Stock Exchange.
Purchase of the Notes	The Issuer may not purchase any Notes at any time.
Governing Law	The Notes will be governed by Italian law.
Transaction Documents	
Transfer Agreement	On 25 June 2004, the Originator and the Issuer entered into a transfer agreement (as may be subsequently amended and supplemented, the "**Transfer Agreement**"), pursuant to which the Originator has assigned and transferred the Portfolio to the Issuer without recourse (*pro soluto*) in accordance with and subject to the terms and conditions of the Securitisation Law. Pursuant to the Transfer Agreement, the Issuer and the Originator have agreed that the transfer of the Portfolio will be effective from 30 June 2004 (the "**Effective Date**"). The aggregate purchase price of the Portfolio comprises: (a) an initial purchase price of Euro 864,518,384.35, which is equal to the aggregate outstanding principal balance of all Receivables comprised in the Portfolio as of the Effective Date (the "**Initial Purchase Price**"); and (b) a deferred purchase price (the "**Deferred Purchase Price**"). Interest will accrue on the Initial Purchase Price at Euribor for 3 month deposits in Euro from the Effective Date to the date the Initial Purchase Price is paid in full (the "**Interest on the Initial Purchase Price**"). The Initial

Purchase Price shall be paid on the Issue Date out of the net proceeds from the issue of the Notes, while the Interest on the Initial Purchase Price and the Deferred Purchase Price will be paid on each Payment Date out of the Issuer Available Funds in accordance with the Order of Priority. Under the terms of the Transfer Agreement, the Originator has given certain representations and warranties in favour of the Issuer in relation to the Portfolio and has agreed to indemnify the Issuer in respect of certain liabilities of the Issuer incurred in connection with the purchase and ownership of the Portfolio. See "*Description of the Transfer Agreement*".

Servicing and Collection Procedures

Pursuant to the terms of a servicing agreement (as may be subsequently amended and supplemented, the "**Servicing Agreement**") entered into on 25 June 2004 between the Issuer and CARIGE (in such capacity, the "**Servicer**"), the Servicer has agreed to administer and service the Receivables, in accordance with the procedures for the management, collection and recovery of Receivables attached thereto (the "**Collection Policy**") and to carry out certain activities related to the management of the Mortgage Loans, including commencing, participating in and pursuing all necessary or appropriate enforcement and insolvency proceedings and negotiating and settling the recovery of the Receivables in accordance with the Collection Policy.

In consideration for the services provided by the Servicer, the Issuer will pay to the Servicer on each Payment Date (a) a fee equal to 0.4% of the Collections collected by the Servicer during the immediately preceding Collection Period in respect of any Receivable classified as a Performing Receivable or Delinquent Receivable or Defaulted Receivables; and (b) a recovery fee equal to 4.0% of the Collections collected by the Servicer in the immediately preceding Collection Period in respect of any Non-performing Receivable ((a) and (b) together, (the "**Servicing Fee**")).

Under the terms of the Servicing Agreement, the Servicer has agreed to prepare and submit to the Issuer, with a copy to the Calculation Agent and the Representative of the Noteholders, on or before the 10th day of each January, April, July and October (or, if such day is not a Business Day, the immediately preceding Business Day) (each, a "**Quarterly Report Date**") a report (the "**Servicer's Quarterly Report**"). A firm of internationally recognised auditors appointed by the Servicer shall prepare a report (the "**Audit Report**") within 20 Business Days following the last Quarterly Report Date of each calendar year in relation to the information and data contained in the last Servicer's Quarterly Report. The Audit Report shall also indicate the procedures adopted by the auditors. See "*Description of the Servicing Agreement*".

Corporate Services Agreement

Pursuant to a corporate services agreement (the "**Corporate Services Agreement**") entered on 25 June 2004 between the Issuer and CARIGE (the "**Corporate Services Provider**"), the Corporate Services Provider has agreed to provide the Issuer with a number of administrative services, including the keeping of the corporate books and of accounting and tax registers, in compliance with reporting requirements relating to the Receivables and with other regulatory requirements imposed on the Issuer.

Security for the Notes

By operation of Italian law, the Issuer's right, title and interest in and to the Portfolio will be segregated from all other assets of the Issuer and amounts deriving therefrom will only be available, both prior to and following a winding up of the Issuer, to satisfy the obligations of the Issuer to the holders of the Class A Notes (the "**Class A Noteholders**"), the holders of the Class B Notes (the "**Class B Noteholders**"), the holders of the Class C Notes (the "**Class C Noteholders**" and, together with the Class A Noteholders and the Class B Noteholders, the "**Noteholders**") and any third party creditor to whom the Issuer owes any costs, fees and expenses in relation to the Securitisation. After publication in the Official Gazette of the Republic of Italy dated 2 July 2004 of a notice of the sale of the Portfolio by the Originator to the Issuer and the registration of such sale with the Companies Register of Genoa (which is

expected to take place on or about the Issue Date), the Receivables may not be seized or attached in any form by third party creditors other than the Noteholders and, insofar as the claims are for a transaction cost, other creditors of the Issuer, until the Issuer has discharged in full its payment obligations to the Noteholders under the Notes (or the Notes have been cancelled) and to such other creditors. See "*Selected aspects of Italian law relevant to the Portfolio and the transfer of the Portfolio — The Assignment*".

Security Documents

On or about the Issue Date, the Issuer has executed a deed of pledge governed by Italian law (the "**Italian Deed of Pledge**") pursuant to which the Issuer has pledged in favour of the Issuer Secured Creditors a first priority pledge over: (i) all monetary claims and rights and all the amounts (including payment for claims, indemnities, damages, penalties, credits and guarantees) to which the Issuer is entitled pursuant to the Transaction Documents (other than the Security Documents, the Swap Agreement and the Subscription Agreement) to which the Issuer is a party; (ii) any existing or future pecuniary claim and right and any sum credited from time to time to the AM2 Collection Account (other than the Excluded Collections), the AM2 Payment Account (other than the amounts deriving from the subscription price of the Notes), the AM2 Investment Account, the AM2 Principal Accumulation Account and the AM2 Cash Collateral Account, except for any amount provided by or on behalf of the Swap Counterparty as collateral and the cash benefit of any Tax Credit due to the Swap Counterparty; and (iii) the Eligible Investments and all dividends, interest and other monies payable in respect thereof and all other rights, benefits and proceeds deriving therefrom.

On or about the Issue Date, the Issuer has executed a deed of charge governed by English law (the "**English Deed of Charge**" and together with the Italian Deed of Pledge, the "**Security Documents**") pursuant to which the Issuer has assigned and charged all of the Issuer's rights, title, interest and benefit (present and future) in, to and under the Swap Agreement and the Subscription Agreement in favour of the Security Trustee for itself and on trust for the Issuer Secured Creditors. (See "*Description of the Security Documents*").

Mandate Agreement

On or about the Issue Date, the Issuer and the Representative of the Noteholders have entered into a mandate agreement (the "**Mandate Agreement**"), pursuant to which the Representative of the Noteholders is authorised to exercise, in the name of and on behalf of the Issuer (a) subject to an Enforcement Notice being served upon the Issuer following the occurrence of an Enforcement Event, all the Issuer's rights arising out of the Transaction Documents (other than the right to collect and recover Receivables under the Servicing Agreement) to which the Issuer is a party and the Issuer's rights in respect of the Receivables, including the right to direct the sale (in whole or in part) of the Portfolio provided that a sufficient amount will be realised to allow the discharge in full of all amounts due and payable to the Noteholders and the amounts ranking (in accordance with the applicable Order of Priority) in priority thereto or *pari passu* therewith; and (b) upon any failure by the Issuer to exercise its rights under the Transaction Documents against any party in default to procure the remedy of such default, all the Issuer's rights arising under such Transaction Documents against the defaulting counterparty. See "*Description of the Mandate Agreement*".

Intercreditor Agreement

Under the terms of an intercreditor agreement entered into on or about the Issue Date (the "**Intercreditor Agreement**") by the Issuer, the Corporate Services Provider, the Servicer, the Calculation Agent, the Account Banks, the Cash Manager, the Luxembourg Agent, the Paying Agents, the Originator, the Swap Counterparty, the Swap Calculation Agent, the Subordinated Loan Provider, the Security Trustee and the Representative of the Noteholders (acting for itself and on behalf of the Noteholders) (each such party other than the Issuer, an "**Other Issuer Creditor**" and together, the "**Other Issuer Creditors**"), the parties thereto have agreed to the order of priority of payments to be made out of the Issuer Available Funds.

Under the terms of the Intercreditor Agreement, the Other Issuer Creditors irrevocably jointly appoint the Representative of the Noteholders as their agent in relation to the Security Documents and entrust the Representative of the Noteholders, following the delivery of an Enforcement Notice, to receive in their name and on their behalf all payments to be made by the Issuer pursuant to the applicable Order of Priority and to apply all cash deriving from time to time from the subject matter of the Security Documents, as well as all proceeds from the enforcement thereof, to satisfy amounts payable to each of them in accordance with the applicable Order of Priority.

The Noteholders and the Other Issuer Creditors acknowledge that each of the Representative of the Noteholders and the Security Trustee is not obliged to exercise any of its discretion or powers pursuant to the Transaction Documents until it has been indemnified and/or secured to its satisfaction against any losses that it may reasonably incur as a result of so acting.

The obligations owed by the Issuer to each of the Noteholders and, in general, to each of the Other Issuer Creditors will be limited recourse obligations of the Issuer. The Noteholders will have a claim against the Issuer only to the extent of the Issuer Available Funds, subject to and as provided in the Intercreditor Agreement and the other Transaction Documents.

The costs of the transaction including the amounts payable to the various agents of the Issuer appointed in connection with the issue of the Notes — but excluding the fees of the Joint Lead Managers and the initial costs for the setting up of the transaction and certain up front fees (which shall be paid out of the proceeds from the issue of the Notes and the Subordinated Loan) — will be funded from the Issuer Available Funds, subject to and as provided in the Intercreditor Agreement and the other Transaction Documents.

Cash Allocation, Management and Agency Agreement

Pursuant to the Cash Allocation, Management and Agency Agreement, the Account Banks, the Cash Manager, the Luxembourg Agent, the Calculation Agent, the Swap Calculation Agent and the Paying Agents have agreed to provide the Issuer with certain calculation, notification, payment and reporting services together with account handling and management services in relation to moneys from time to time standing to the credit of the Accounts held with the Account Bank as well as securities from time to time deposited in the AM2 Securities Account.

In particular, (a) the Calculation Agent will prepare, on or prior to each Calculation Date, a report (the "**Payments Report**") containing details of amounts to be paid by the Issuer on the Payment Date succeeding the relevant Calculation Date in accordance with the applicable Order of Priority, copies of which will be made freely available by the Calculation Agent at the office of each of the Paying Agents and the Luxembourg Agent; (b) the Cash Manager has been appointed by the Issuer to invest in Eligible Investments on behalf of the Issuer any amounts standing to the credit of the AM2 Investment Account, the AM2 Principal Accumulation Account and the AM2 Cash Collateral Account; (c) the Paying Agents will provide the Issuer with certain payments services; and (d) the Luxembourg Agent will, *inter alia*, make available for inspection such documents as may from time to time be required by the rules of the Luxembourg Stock Exchange and arrange for the publication of any notice to be given to the Noteholders.

See "*Description of the Cash Allocation, Management and Agency Agreement*".

Subordinated Loan Agreement

On or about the Issue Date, CARIGE (in such capacity, the "**Subordinated Loan Provider**") has entered into an agreement with the Issuer (the "**Subordinated Loan Agreement**") pursuant to which the Subordinated Loan Provider will grant the Issuer a limited recourse subordinated loan (the "**Subordinated Loan**") in an amount of Euro 22,753,000, which will be used to deposit in the AM2 Cash Collateral Account the Initial Cash Collateral Amount, to retain in the AM2 Expenses Account the Initial Disbursement Amount, to pay the Closing

Costs and to credit the AM2 Quota Capital Account with an amount to bring the balance of such Account to Euro 10,000.

Payment of interest and repayment of principal due under the Subordinated Loan Agreement will be made by the Issuer on each Payment Date out of the Issuer Available Funds and in accordance with the applicable Order of Priority. Interest is payable at the Legal Rate of Interest on the principal amount outstanding under the Subordinated Loan until the earlier of the repayment of all principal due and payable under the Subordinated Loan and the Final Maturity Date.

Swap Agreement

In order to mitigate its floating rate interest exposure in relation to the Notes, the Issuer has entered into a swap agreement with the Swap Counterparty on or about the Issue Date in the form of an International Swaps and Derivatives Association, Inc. ("**ISDA**") 1992 Master Agreement (Multicurrency — Cross Border) together with a Schedule (the a "**Master Agreement**"). The Issuer has also entered into a swap confirmation (the a "**Swap Confirmation**" and together with the Master Agreement, the "**Swap Agreement**") with the Swap Counterparty evidencing the terms of a swap transaction (the "**Swap Transaction**"). Under the terms of the Swap Agreement, on each Payment Date, (i) the Issuer will pay to the Swap Counterparty an amount equal to the product of (a) the outstanding principal amount of all Mortgage Loans; (b) the number of days in the relevant Collection Period; and (c) a rate equivalent to the fixed interest rate or floating interest rate plus the applicable margin pursuant to the terms of the Swap Agreement, as the case may be; and (ii) the Swap Counterparty will, on each Swap Payment Date, make payments to the Issuer determined by reference to Three Month Euribor plus a margin, multiplied by the notional amount of the Swap Transaction on such Payment Date as set out in the Swap Confirmation and further multiplied by the number of days obtained by applying the day count convention specified in the Swap Agreement. The Swap Agreement will terminate on the Final Maturity Date unless terminated earlier in accordance with their terms. Further details of the Swap Agreement are provided in "*Description of The Swap Agreement*" and see also "*The Swap Counterparty*").

Quotaholders' Agreement

At the date of this Offering Circular, the quotaholders of the Issuer are: Stichting Faro, which holds 95% of the quota capital; and Columbus CARIGE Immobiliare S.p.A. ("**Columbus**"), which holds 5% of the quota capital.

On or about the Issue Date, Stichting Faro, Columbus, the Representative of the Noteholders and the Issuer have entered into an agreement (the "**Quotaholders' Agreement**") pursuant to which certain rules have been set forth, *inter alia*, in relation to the corporate management of the Issuer.

Special Considerations

The following is a summary of certain aspects of the issue of the Notes of which prospective Noteholders should be aware. It is not intended to be exhaustive and prospective Noteholders should also read the detailed information set out elsewhere in this document.

Source of payments to Noteholders

The Notes constitute direct, secured limited recourse obligations solely of the Issuer. In particular, the Notes will not be obligations or responsibilities of or guaranteed by any of the Arrangers, the Joint Lead Managers, the Representative of the Noteholders, the Quotaholders, the Subordinated Loan Provider, the Security Trustee, the Corporate Services Provider, the Cash Manager, the Servicer, the Calculation Agent, the Luxembourg Agent, the Paying Agents, the Account Banks, the Swap Counterparty or CARIGE (in any capacity). None of any such persons accepts any liability whatsoever in respect of any failure by the Issuer to make any payment of any amount due on the Notes.

The Issuer will not as at the Issue Date have any significant assets other than the Portfolio and its rights under the Transaction Documents to which it is a party. Consequently, upon the occurrence of an Enforcement Event, there may be insufficient funds available to the Issuer to repay the Notes in full.

The ability of the Issuer to meet its obligations in respect of the Notes will be dependent on the receipt by the Issuer of recoveries and collections made on its behalf by the Servicer from the Portfolio, any payments made by the Swap Counterparty under the Swap Agreement and any other amounts received by the Issuer pursuant to the provisions of the other Transaction Documents to which it is a party.

Should an early termination of the Swap Agreement occur, the Issuer may also be exposed to the interest rate risk related to the floating rate of interest it is required to pay in respect of the Notes. An early termination of the Swap Agreement could result in the Issuer being obliged to make a termination payment to the Swap Counterparty. Except where the Swap Counterparty has caused the Swap Agreement to terminate by its own default, any termination payment due to the Swap Counterparty will rank ahead of payments of interest and/or principal on the Notes. Furthermore, in the event of an insolvency of the Swap Counterparty, the Issuer will rank as a general unsecured creditor of the Swap Counterparty in respect of any claim it has for a termination amount due from the Swap Counterparty under the Swap Agreement.

The Notes will be limited recourse obligations of the Issuer. If there are not sufficient funds available to the Issuer to pay in full all principal and interest and other amounts due in respect of the Notes on the Final Maturity Date, then the Noteholders will have no further claims against the Issuer in respect of any such unpaid amounts.

No independent investigation in relation to the Portfolio

None of the Issuer, the Arrangers, the Joint Lead Managers nor any other party to the Transaction Documents (other than CARIGE) has undertaken or will undertake any investigation, searches or other actions to verify the details of the Portfolio sold by the Originator to the Issuer, nor has any of such parties undertaken, nor will any of them undertake, any investigations, searches or other actions to establish the creditworthiness of any Borrower.

The Originator has, pursuant to the Transfer Agreement, made certain representations and warranties, and undertaken related indemnification obligations, in respect, *inter alia*, of: (i) the validity and existence of the Receivables; (ii) the validity, effectiveness and proper execution of the Mortgage Loan Agreements; (iii) the perfection of the Mortgages; and (iv) the validity of the assignment to the Issuer by the Originator of its rights under the insurance policies entered into in connection with the Mortgage Loan Agreements. Such indemnification obligations undertaken by the Originator are unsecured claims of the Issuer and no assurance can be given that the Originator can or will pay the relevant amounts if and when due.

Risk of losses associated with bankruptcy of Borrowers

General economic conditions and other factors (which may not affect property values) have an impact on the ability of Borrowers to repay Mortgage Loans. Loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies and bankruptcy filings by Borrowers, which may lead to a reduction in Mortgage Loan payments by such Borrowers and could reduce the Issuer's ability to service payments on the Notes.

Liquidity and credit risk

The Issuer is subject to the risk of delay arising between the receipt of payments due from the Borrowers under the Mortgage Loans comprised in the Portfolio and the scheduled Payment Dates.

This gives rise to a risk for the Issuer that amounts received in respect of the Portfolio and any return earned thereon is less than such amount that the Issuer is obliged to pay in interest and principal on the Notes, which could lead to a shortfall in funds available to make such interest and principal payments.

The Issuer is subject to the further risk of failure by the Servicer to collect or recover sufficient funds in respect of the Portfolio in order to discharge all amounts payable under the Notes when they fall due, as well as the risk of default in payment by the Borrowers and the failure to realise or recover sufficient funds in respect of the defaulted Mortgage Loans in order to discharge all amounts due by those Borrowers under the Mortgage Loans.

These risks are addressed in part by the Cash Collateral and are mitigated, with respect to the Class A Notes, by the excess spread and by the credit support provided by the Class B Notes and the Class C Notes; with respect to the Class B Notes, by the excess spread and by the credit support provided by the Class C Notes; and with respect to the Class C Notes, by the excess spread.

However, in each case, there can be no assurance that the levels of collections and recoveries received from the Portfolio together with such credit support will be adequate to ensure timely and full receipt of amounts due under the Notes.

Subordination of the Notes

The rights of the Noteholders to receive payments of interest and repayment of principal are subordinated to the payment of certain costs, expenses, fees, taxes and other amounts.

Furthermore, in respect of the obligation of the Issuer to pay interest on the Notes before the delivery of an Enforcement Notice upon the occurrence of an Enforcement Event, the Class A Notes will rank *pari passu* without preference or priority amongst themselves and in priority to the Class B Notes and the Class C Notes; the Class B Notes will rank *pari passu* without preference or priority amongst themselves and in priority to the Class C Notes but subordinated to the Class A Notes; and the Class C Notes will rank *pari passu* without preference or priority amongst themselves but subordinated to the Class A Notes and the Class B Notes.

In respect of the obligation of the Issuer to repay principal on the Notes before the delivery of an Enforcement Notice upon the occurrence of an Enforcement Event, the Class A Notes will rank *pari passu* without preference or priority amongst themselves and in priority to the Class B Notes and the Class C Notes; the Class B Notes will rank *pari passu* without preference or priority amongst themselves and in priority to the Class C Notes but subordinated to the Class A Notes; and the Class C Notes will rank *pari passu* without preference or priority amongst themselves but subordinated to the Class A Notes and the Class B Notes.

In respect of the obligation of the Issuer to pay interest and repay principal on the Notes after the delivery of an Enforcement Notice upon the occurrence of an Enforcement Event, the Class A Notes will rank *pari passu* without preference or priority amongst themselves and in priority to the Issuer's obligation to pay interest and repay principal on the Class B Notes and the Class C Notes; the Class B Notes will rank *pari passu* without preference or priority amongst themselves and in priority to the Issuer's obligation to pay interest and repay principal on the Class C Notes but subordinated to the Issuer's obligation to pay interest and repay principal on the Class A Notes; and the Class C Notes will rank *pari passu* without preference or priority amongst themselves but subordinated to the Issuer's obligation to pay interest and repay principal on the Class A Notes and the Class B Notes.

As long as any Notes of a Class ranking in priority to any one or more other Classes of Notes are outstanding, unless notice has been given to the Issuer declaring the Notes of such first-mentioned Class due and payable, the Notes of the Class(es) ranking below shall not be capable of being declared due and payable, and the Noteholders of the Class ranking in the highest priority shall be entitled to determine the remedies to be exercised. Remedies pursued by the Noteholders of the Class ranking in the highest priority could be adverse to the interests of the Noteholders of the Class(es) ranking below.

Limited recourse nature of the Notes

If, upon the delivery of an Enforcement Notice upon the occurrence of an Enforcement Event or, if no Enforcement Notice has been delivered, on the Final Maturity Date, the funds available to the Issuer and/or the Representative of the Noteholders, pursuant to the Intercreditor Agreement, for any payment obligations in respect of any Class of Notes are not sufficient to pay such obligations in full, the relevant Class of Noteholders shall be entitled to receive payments in respect of such obligations to the extent of the available funds (if any) and any shortfall (including, without limitation, in such case, any shortfall in respect of interest on the Notes) will not be due and payable, will be deemed to be released by the relevant Noteholders and will be cancelled.

Yield and payment considerations

The yield to maturity of the Notes of each Class will depend on, *inter alia*, the amount and timing of repayment of principal (including prepayments and sale proceeds arising on enforcement of a Mortgage Loan) on the Mortgage Loans and on the actual date of exercise (if any) of the optional redemption right of the Issuer pursuant to Condition 7.3 (*Optional Redemption of the Notes*).

Such yield may be adversely affected by higher or lower rates of prepayment, delinquency and default on the Mortgage Loans.

Prepayments may result in connection with refinancing, sales of properties by Borrowers voluntarily or as a result of enforcement proceedings under the relevant Mortgage Loans, as well as the receipt of proceeds from building insurance and life insurance policies.

Borrowers are in general entitled to prepay their loans at any time, subject to their paying a prepayment fee. The prepayment fee varies from loan to loan but generally does not exceed three per cent. (3%) of the outstanding principal amount of the loan at the time of prepayment. In the case of *mutui fondiari*, the right to prepay the loan is provided for by Article 40 of the Consolidated Banking Act and the prepayment fee is pre-set under the relevant loan agreement.

The rates of prepayment, delinquency and default on the Mortgage Loans cannot be predicted and are influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates and margin offered by the banking system, the availability of alternative financing, local and regional economic conditions and homeowner mobility.

Therefore, no assurance can be given as to the level or number of prepayments that the Mortgage Loans will experience.

Loans' performance

The Portfolio is exclusively comprised of performing residential mortgage backed loans which had no instalment of interest or principal in arrears as of the Effective Date. There can be no guarantee that the Borrowers will not default under such Mortgage Loans and that they will continue to perform. The recovery of amounts due in relation to any Defaulted Receivables and Non-performing Receivables will be subject to effectiveness of enforcement proceedings in respect of the Portfolio which, in the Republic of Italy, can take a considerable time depending upon the type of action required and where such action is taken and upon several other factors, including the following: (i) proceedings in certain courts involved in the enforcement of the Mortgage Loans and Mortgages may take longer than the national average; (ii) obtaining title deeds from land registries which are in the process of computerising their records can take up to two or three years; (iii) in order to begin the enforcement procedure on Mortgage Loans that were entered into in the form of a private deed with signatures authenticated (*scrittura privata autenticata*), the enforcing party will need to obtain an injunction decree (*decreto ingiuntivo esecutivo*) or, if such injunction decree is not granted, a judgment by the competent court; and (iv) whether the Borrower raises a defence or counterclaim to the proceedings.

For the Republic of Italy as a whole, it takes an average of six to seven years from the time lawyers commence enforcement proceedings until the time an auction date is set for the forced sale of any assets.

Italian Law No. 302 of 3 August 1998 ("**Law No. 302**") allows notaries to conduct certain stages of the foreclosure procedures in place of the courts and is expected to reduce the length of foreclosure proceedings by between two and three years, although at the date of this Offering Circular, the impact which the law will have on the Mortgage Loans comprised in the Portfolio cannot be fully assessed.

See "*Selected Aspects of Italian Law Relevant to the Portfolio and the Transfer of the Portfolio – The Impact of Law No. 302*".

General risks of real estate investments

All the Mortgage Loans are secured by real estate assets and subject to the risks inherent in investments in or secured by real property. Such risks include adverse changes in national, regional or local economic and demographic conditions in Italy and in real estate values generally as well as in interest rates, real estate tax rates, other operating expenses, inflation and the strength or weakness of the Italian national, regional and local economies, the supply of and demand for properties of the type involved, zoning laws or other governmental rules and policies (including environmental restrictions and changes in land use) and competitive conditions (including construction of new competitive properties) all of which may affect the value of the Real Estate Assets and the collections and recoveries generated by them.

The performance of investments in real estate has historically been cyclical. There is a possibility of losses with respect to the Real Estate Assets for which insurance proceeds may not be adequate or which may result from risks which are not covered by insurance. No assurance can be given that the values of the Real Estate Assets have remained or will remain at the level at which they were on the origination dates of the related Mortgage Loans. As with all properties, if reconstruction (for example, following destruction or damage by fire or flooding) or any major repair or improvement is required to a Real Estate Asset, changes in laws and governmental regulations may be applicable and may materially affect the cost to, or ability of, the owner to effect such reconstruction, major repair or improvement. Any of these events would affect the amount realised with respect to the Mortgage Loans, and consequently, the amount available to make payments on the Notes.

Claims of unsecured creditors of the Issuer

By operation of Article 3 of the Securitisation Law the right, title and interest of the Issuer in and to the Portfolio will be segregated from all other assets of the Issuer (including, for the avoidance of doubt, any other portfolio purchased by the Issuer pursuant to the Securitisation Law) and amounts deriving therefrom will be available on a winding up of the Issuer only to satisfy the obligations of the Issuer to the Noteholders, to make payments to the Swap Counterparty under the Swap Agreement and to pay other costs of the Securitisation. Amounts derived from the Portfolio will not be available to any other creditors of the Issuer.

However, under Italian law, any other creditor of the Issuer would be able to commence insolvency or winding up proceedings against the Issuer in respect of any unpaid debt. Notwithstanding the foregoing, the corporate object of the Issuer as contained in its by-laws is limited and the Issuer has also agreed to certain covenants in the Intercreditor Agreement and the Conditions restricting the activities that may be carried out by the Issuer and has furthermore covenanted not to enter into any transactions that are not contemplated in the Transaction Documents. To the extent that there are other creditors of the Issuer, the Issuer has established the AM2 Expenses Account and the funds therein may be used for the purposes of paying taxes as well as the ongoing fees, costs and expenses of the Issuer in respect of the Securitisation to third parties other than the Other Issuer Creditors. See "*Transaction Summary Information – Quotaholders' Agreement*" and "*The Issuer*".

Limited enforcement rights

The protection and exercise of the Noteholders' rights against the Issuer and the security under the Notes is one of the duties of the Representative of the Noteholders. The Rules of the Organisation of the Noteholders limit the ability of individual Noteholders to commence proceedings against the Issuer by conferring on the Meeting of the Organisation of the Noteholders the power to resolve on the ability of any Noteholder to commence any such individual actions.

Italian Usury Law

Italian Law No. 108 of 7 March 1996 (the "**Usury Law**") introduced legislation preventing lenders from applying interest rates equal to or higher than the thresholds set on a quarterly basis by a decree issued by the Italian Treasury (the "**Usury Thresholds**").

Subsequent judgments issued by the Italian Supreme Court (*Corte di Cassazione*) during 2000 held that the Usury Law, in addition to being applicable to loans and any other credit facilities advanced after the Usury Law came into force, may also apply with respect to loans or other credit facilities advanced prior to the date on which the Usury Law came into force. Moreover, according to one interpretation of the Usury Law (which was considered by certain jurists to have been accepted in the rulings of the Italian Supreme Court), if at any point in time the rate of interest payable on a loan or any other credit facilities (including those entered into before the entry into force of the Usury Law or those which, when entered into, were in compliance with the Usury Law), exceeded the then applicable Usury Thresholds, the contractual provision providing for the borrower's obligation to pay interest on the relevant loan or credit facility becomes null and void in its entirety.

On 29 December 2000, the Italian Government issued law decree no. 394 ("**Decree 394/2000**"), converted into law by the Italian Parliament on 28 February 2001, which clarified the uncertainty over the interpretation of the Usury Law and provided, *inter alia*, that interest will be deemed to be usurious only if the interest rate agreed by the parties exceeded the Usury Thresholds at the time when the loan agreement or any other credit facility was entered into or the interest rate was agreed. Decree 394/2000 also provided that as an extraordinary measure due to the exceptional fall in interest rates in 1998 and 1999, interest rates due on instalments payable after 2 January 2001 on fixed rate loans (other than subsidised loans) already entered into on the date such decree came into force (such date being 31 December 2000) are to be substituted, except where the parties have agreed to more favourable terms, with a lower interest rate set in accordance with parameters fixed by such decree by reference to the average gross yield of multiannual treasury bonds (*Buoni Tesoro Poliennali*) in the period from January 1986 to October 2000.

The interpretation of the Usury Law given by Decree 394/2000 as well as the interpretation of the law by which Decree 394/2000 was ratified by the Italian Parliament have been challenged before the Italian Constitutional Court on the ground that they would not comply with the provisions of the Italian Constitution and there can be no assurance on the outcome of such challenges or that similar challenges will not arise in the future.

Prospective Noteholders should note that whilst under the terms of the Transfer Agreement, the Originator (a) has represented and warranted to the Issuer, *inter alia*, that the Mortgage Loan Agreements have been executed and performed, and the Mortgage Loans thereunder disbursed, in compliance with applicable law and regulations, including usury provisions (see "*Description of the Transfer Agreement*"); and (b) the Originator has agreed to indemnify the Issuer in respect of any losses, costs or expenses arising out from any representations and/or warranties made by the Originator thereunder being false or incorrect, the ability of the Issuer to maintain scheduled payments of interest and principal on the Notes may be adversely affected as a result of a Mortgage Loan being found to be in contravention of the Usury Law, thus allowing the relevant Borrower to claim relief on any interest previously paid and obliging the Issuer in the future to accept a reduced rate of interest, or potentially no interest, payable on such Mortgage Loan.

Compounding of interest (*Anatocismo*)

According to Article 1283 of the Italian Civil Code, in respect of a monetary claim or receivable, accrued interest may be capitalised after a period of not less than six months or from the date when any legal proceedings are commenced in respect of that monetary claim or receivable. Article 1283 of the Italian Civil Code allows derogation from this provision in the event that there are recognised customary practices (*usi normativi*) to the contrary. Banks in the Republic of Italy have traditionally capitalised accrued interest on a quarterly basis on the grounds that such practice could be characterised as a customary practice. However, a number of recent judgements from Italian courts (including judgment No. 2374/99 from the Supreme Court (*Corte di Cassazione*)) have held that such practice is not customary but an agreed clause (*uso negoziale*) and as such it does not permit derogation from the aforementioned provisions of the Italian Civil Code. Accordingly, if Borrowers were to challenge this practice and such interpretation of Article 1283 of the Italian Civil Code were to be upheld before other courts in the Republic of Italy, the returns generated from the relevant Mortgage Loans could be negatively affected.

Perfection of the sale of the Portfolio

The sale of the Portfolio by the Originator to the Issuer is made in accordance with the Securitisation Law. Pursuant to Article 4 of the Securitisation Law, the publication in the advertisement section of the Official Gazette of a notice of the sale of the Portfolio by the Originator to the Issuer (such notice was published on 2 July 2004) and the registration of such sale with the Register of Companies of the Issuer (the registration of such sale with the Register of Companies of Genoa is expected to take place on or about the Issue Date) have rendered the assignment of the Portfolio and the proceeds deriving therefrom immune from any attachment or other action under Italian law (other than a claw-back action: see "*Claw-back of the sale of the Portfolio*" below), except to the extent that any such attachment or action is intended to protect the rights of the Noteholders and the Other Issuer Creditors. In addition, the publication of such notice in the Official Gazette and the registration of such sale with the competent Register of Companies mean that the sale of the Portfolio cannot be challenged or disregarded by: (i) any third party to whom CARIGE may previously have assigned the Portfolio or any part thereof; (ii) a creditor of CARIGE who has a right to enforce its claim on such Originator's asset; or (iii) a receiver or administrative receiver or a liquidator of any assigned Borrower in the case of the Borrower's bankruptcy.

Claw-back of the sale of the Portfolio

A transfer pursuant to the Securitisation Law may be subject to claw-back by a liquidator of the transferor: (i) if the sale is not undervalued, within three months following the transfer if: (a) the transferor was insolvent at the time of the transfer; and (b) the liquidator can prove that the transferee was, or ought to have been, aware of such insolvency; or (ii) if the sale is undervalued, within six months following the transfer if: (a) the transferor was insolvent at the time of the transfer; and (b) the transferee cannot prove that it was not, or ought not to have been, aware of such insolvency.

Accordingly, if CARIGE was insolvent at the time of the transfer of the Portfolio pursuant to the Transfer Agreement and the Issuer was, or ought to have been, aware of such insolvency, the transfer may, in certain circumstances, be subject to claw-back by a liquidator of CARIGE.

Rights of set-off and other rights of Borrowers

Under general principles of Italian law, a Borrower of a Mortgage Loan is entitled to exercise rights of set-off in respect of amounts due under such Mortgage Loan against any amounts payable by the Originator to such Borrower if and to the extent that such counterclaims have arisen before the publication of the notice of the

assignment of the relevant Receivables in the Official Gazette pursuant to Article 58(2) of the Consolidated Banking Act and the registration of such sale with the competent Register of Companies have been made. Under the terms of the Transfer Agreement, the Originator has agreed to indemnify the Issuer from and against all damages and losses arising from the failure to collect or recover Receivables as a consequence of the exercise by any Borrower, Mortgagor or Obligor or, as the case may be, a receiver thereof, of its right of set-off against CARIGE. Notice of the assignment of the Receivables pursuant to the Transfer Agreement was published in the Italian Official Gazette on 2 July 2004 and the registration of such sale with the Register of Companies of Genoa (which is expected to take place on or about the Issue Date).

Servicing of the Receivables

The Portfolio will be serviced by the Servicer starting from the Effective Date pursuant to the Servicing Agreement. Previously the Portfolio had always been serviced by CARIGE as owner of the Portfolio.

The net cash flows from the Portfolio may be affected by decisions made, actions taken and the collection procedures adopted by the Servicer pursuant to the Servicing Agreement.

The Servicer has undertaken to prepare and submit to, *inter alios*, the Issuer, the Calculation Agent and the Representative of the Noteholders a quarterly report in the form set out in the Servicing Agreement on each Quarterly Report Date, containing information as to the Collections made in respect of the Portfolio during the preceding Collection Period. The Servicer will appoint a firm of internationally recognised auditors acceptable to the Representative of the Noteholders to prepare a report in respect of the information and data contained in the last Servicer's Quarterly Report of each calendar year.

Credit risk on CARIGE and other parties

The ability of the Issuer to make payments in respect of the Notes will depend to a significant extent upon the due performance by CARIGE and the other parties to the Transaction Documents of their respective obligations under the Transaction Documents to which they are a party. In particular, amongst other things, the timely payment of amounts due on the Notes will depend on the ability of the Servicer to service and collect the Portfolio and the continued availability of hedging under the Swap Agreement.

The Issuer is subject to the risk of the failure by CARIGE in its capacity as Servicer to collect sufficient funds in respect of the Receivables in order to enable the Issuer to discharge all amounts payable under the Notes when due. In addition, the ability of the Issuer to make payments in respect of the Notes may depend to an extent upon the due performance by the Originator of its obligations under the Transfer Agreement. In each case, the performance by the Issuer of its obligations under the Notes is dependent on the solvency of the Originator, the Servicer and the Swap Counterparty (or any permitted successors or assignees appointed under the Servicing Agreement and the Swap Agreement).

It is not certain that a suitable alternative Servicer could be found to service the Portfolio, were the Servicer to become insolvent or fail to fulfil its obligations pursuant to the terms of the Servicing Agreement. If such an alternative Servicer were to be found it is not certain whether it would service the Portfolio on the same terms as are provided for in the Servicing Agreement. In such circumstances, the Issuer could attempt to sell the Portfolio, but there is no assurance that the amount received on such a sale would be sufficient to repay in full all amounts due to the Noteholders.

CARIGE faces significant competition from a large number of banks throughout the Republic of Italy and abroad. The deregulation of the banking industry in the Republic of Italy and throughout the European Union has intensified competition in both deposit-taking and lending activities, contributing to a progressive narrowing of spreads between deposit and loan rates. A severe or extended downturn in the Republic of Italy's economy would adversely affect the results of operations and the financial condition of CARIGE which could in turn affect its ability to perform its obligations under the Transaction Documents to which it is a party.

Further securitisations

The Issuer may purchase and securitise further portfolios of monetary claims in addition to the Portfolio. It is a requirement for any such securitisation that (i) the Rating Agencies confirm that the ratings of the then outstanding Notes will not be adversely affected and a rating alert will not be triggered by such securitisation and the Representative of the Noteholders receives written notice of such confirmation; (ii) the intercreditor agreement to be executed in the context of such new securitisation and/or the terms and conditions of the notes to be issued in relation thereto provide for a covenant by the creditors of the Issuer in the context of such securitisation not to take any steps for the purpose of procuring the declaration of insolvency, the commencement of any bankruptcy proceeding or the winding up of the Issuer until one year and one day have passed since the date on which all of the Notes have been redeemed in full or cancelled; and (iii) the transaction documents and

the terms and conditions of the notes to be issued in the context of such securitisation ensure that: (a) costs, expenses and taxes incurred in relation to such new securitisation shall be paid out of the segregated funds of such new securitisation, and (b) costs, expenses and taxes required to be paid in order to preserve the corporate existence of the Issuer or to maintain it in good standing or to comply with the applicable legislation and regulations are borne in equal parts out of the Issuer Available Funds and the segregated funds of such new securitisation.

Under the terms of article 3 of the Securitisation Law, the assets relating to each securitisation transaction carried out by a company are stated to be segregated from all other assets of the company and from those related to each other securitisation transaction, and, therefore, on a winding up of such a company, such assets should only be available to holders of the notes issued to finance the acquisition of the relevant receivables and to certain creditors claiming payment of debts incurred by the company in connection with the securitisation. Accordingly, the right, title and interest of the Issuer in and to the Receivables should be segregated from all other assets of the Issuer (including, for the avoidance of doubt, any other portfolio purchased by the Issuer pursuant to any further securitisation) and amounts deriving therefrom should be available on a winding-up of the Issuer only to satisfy the obligations of the Issuer to the Noteholders and the payment of any amounts due and payable to the Other Issuer Creditors and to any other creditors claiming payment of debts incurred by the Issuer in respect of the Securitisation.

The Representative of the Noteholders

The Conditions of the Notes and the Intercreditor Agreement contain provisions requiring the Representative of the Noteholders, with respect of all its powers, authorities, duties and discretion, to regard the interests of the holders of each Class of Notes as if they formed a single class (except where expressly provided otherwise) but such Conditions also require the Representative of the Noteholders, in the event of a conflict between the interests of the holders of different Classes of Notes, to regard only the interests of the holders of the Class of Notes ranking highest in the then applicable Order of Priority then outstanding. Remedies pursued by the Representative of the Noteholders in such circumstances may be adverse to the interest of the holders of the lower ranking Class(es) of Notes.

Limited nature of credit ratings assigned to the Notes

Each credit rating assigned to the Notes reflects the relevant Rating Agency's assessment only of the likelihood of timely payment of interest (pursuant to the Transaction Documents) and the ultimate repayment of principal on or before the Final Maturity Date, and not that such repayment of principal will be paid when expected or scheduled. These ratings are based, among other things, on the Rating Agencies' determination of the value of the Portfolio, the reliability of the payments on the Portfolio and the availability of credit enhancement.

The ratings do not address the following:

- the possibility of the imposition of Italian or European withholding tax;
- the marketability of the Notes, or any market price for the Notes; or
- whether an investment in the Notes is a suitable investment for the Noteholder.

A rating is not a recommendation to purchase, hold or sell the Notes.

Any rating agency may lower its ratings or withdraw its rating if, in the sole judgement of that rating agency, the credit quality of the Notes has declined or is in question. If any rating assigned to the Notes is lowered or withdrawn, the market value of the Notes may be adversely affected.

Legal proceedings

CARIGE is subject to a variety of claims and its subsidiaries are party to a number of legal proceedings arising in the ordinary course of business. Although the outcome of such claims is inherently uncertain and several litigants have claimed relatively large sums in damages, management of CARIGE does not believe that liabilities related to such proceedings, if determined against CARIGE, are likely to, individually or in the aggregate, have a material adverse effect on CARIGE's financial position or results of operations.

The Originator has undertaken in the Transfer Agreement to indemnify the Issuer in respect of any losses, costs and expenses that may be incurred by the Issuer arising from its failure to collect or recover Receivables as a consequence of the exercise by any Borrower and/or Mortgagor and/or Obligor or, as the case may be, a receiver thereof, of any claim or counterclaim of set-off against CARIGE. There can be no assurance that the Originator will have the financial resources to meet its obligations to indemnify the Issuer in the event that any such losses, costs or expenses arise.

Terms of the Mortgage Loans

Although the Mortgage Loan Agreements entered into by CARIGE and ICFL with the Borrowers are based on the standard terms and conditions of CARIGE, there can be no guarantee that such Mortgage Loan Agreements do not contain any additional terms or conditions that adversely affect in any manner the value of the Receivables or the enforceability of the Mortgage Loans. CARIGE has represented in the Transfer Agreement that (a) the Mortgage Loan Agreements executed by CARIGE and ICFL conform to CARIGE's standard forms of mortgage loan agreement as from time to time adopted; and (b) the terms and conditions of such Mortgage Loan Agreements have not been amended since their stipulation in a manner which would prejudice the interests of CARIGE. No similar representation has been made in respect of the other Mortgage Loans comprised in the Portfolio that were not originated by CARIGE or ICFL.

Historical information

The historical financial and other information set forth in the sections headed "*The Originator*", "*Credit Policy, Collection and Recovery Procedures*", and "*The Portfolio*", represents the historical experience of the Originator. There can be no assurance that the Originator's future experience and performance as Servicer of the Portfolio will remain constant.

Substitute tax under the Notes

Payments under the Notes may in certain circumstances, described in the section headed "*Taxation*" of this Offering Circular, be subject to a Decree 239 Deduction. In such circumstance, any beneficial owner of an interest payment relating to the Notes of any class will receive amounts of interest payable on the Notes net of a Decree 239 Deduction. At the date of this Offering Circular, such Decree 239 Deduction is levied at the rate of 12.5%, or such lower rate as may be applicable under the relevant double taxation treaty.

In the event that any Decree 239 Deduction or any other deduction or withholding for or on account of tax is imposed in respect of payments to Noteholders of amounts due pursuant to the Notes, the Issuer will not be obliged to gross-up or otherwise compensate Noteholders for the lesser amounts the Noteholders will receive as a result of the imposition of any such deduction or withholding, or otherwise to pay any additional amounts to any of the Noteholders.

In the event that any Notes are redeemed in whole or in part prior to the expiry of the eighteen month period from the Issue Date, the Issuer will be obliged to pay tax in Italy at a rate of 20% of all interest accrued on the principal. See "*Taxation*".

European withholding tax directive

The European Union has adopted a directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that Member States will be required from a date not earlier than 1 January 2005 to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual in another Member State, except that Austria, Belgium and Luxembourg will instead impose a withholding system for a transitional period unless during such period they elect otherwise. See "*Taxation*".

Tax treatment of the Issuer

Taxable income of the Issuer is determined in accordance with Italian Presidential Decree No. 917 of 22 December 1986, as amended by Italian Legislative Decree No. 344 of 12 December 2003. Pursuant to the regulations issued by the Bank of Italy on 29 March 2000 (*schema di bilancio delle società per la cartolarizzazione dei crediti*), the assets, liabilities, costs and revenues of the Issuer in relation to the securitisation of the receivables will be treated as off-balance sheet assets, liabilities, costs and revenues. Based on the general rules applicable to the calculation of net taxable income of a company, such taxable income should be calculated on the basis of the accounting, i.e. on-balance sheet earnings, subject to such adjustments as specifically provided for by applicable income tax rules and regulations. On this basis, no taxable income should accrue to the Issuer in the context of the transfer to the Issuer of the Portfolio. This opinion has been expressed by scholars and tax specialists and has been confirmed by the tax authority (Circular No. 8/E issued by *Agenzia delle Entrate per la Lombardia* on 6 February 2003) on the grounds that the net proceeds generated by the Receivables may not be considered as legally available to the Issuer and therefore do not constitute taxable income – insofar as they are destined to satisfy the obligations of such Issuer to the Noteholders, the Originator and any other creditors of the Issuer in respect of the Securitisation of the Receivables in compliance with applicable law.

It is, however, possible that the Ministry of Finance or another competent authority may issue further regulations, letters or rulings relating to the Securitisation Law which might alter or affect the tax position of the Issuer as

described above in respect of all or certain of its revenues and/or items of income also through the non-deduction of costs and expenses.

As recently confirmed by the tax authority (Ruling No. 222 issued by Agenzia delle Entrate on 5 December 2003), the interest accrued on the Accounts will be subject to withholding tax on account of corporate income tax which, as of the date of this Offering Circular, is levied at the rate of 27% and is to be imposed at the time of payment.

Change of law

The structure of the transaction and, *inter alia*, the issue of the Notes and the ratings assigned to the Notes are based on Italian law, tax and administrative practice in effect at the date hereof, and having due regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given that Italian law, tax or administrative practice will not change after the Issue Date or that any such change will not adversely impact the structure of the transaction and the treatment of the Notes.

Projections, forecasts and estimates

Forward looking statements, including estimates of the weighted average lives of the Notes and any other projections, forecasts and estimates in this Offering Circular, are necessarily speculative in nature and some or all of the assumptions underlying the projections may not materialise or may vary significantly from actual results.

The Issuer believes that the risks described above are the principal risks inherent in the transaction for the Noteholders but the inability of the Issuer to pay interest or repay principal on the Notes of each Class may occur for other reasons and the Issuer does not represent that the above statements of the risks associated with the holding the Notes are exhaustive. While the various structural elements described in this Offering Circular are intended to lessen some of these risks for holders of the Class A Notes, the Class B Notes and the Class C Notes, there can be no assurance that these measures will be sufficient or effective to ensure payment to the holders of the Notes of such Classes of interest or principal on such Notes on a timely basis or at all.

Selected Aspects of Italian Law Relevant to the Portfolio and the Transfer of the Portfolio

The Securitisation Law

The Securitisation Law was enacted on 30 April 1999 and was conceived to simplify the securitisation process and to facilitate the increased use of securitisation as a financing technique in the Republic of Italy.

It applies to securitisation transactions involving the "true" sale (by way of non-gratuitous assignment) of receivables, where the sale is to a company created in accordance with Article 3 of the Securitisation Law and all amounts paid by the assigned debtors are to be used by the relevant company exclusively to meet its obligations under the notes issued to fund the purchase of such receivables and all costs and expenses associated with the securitisation transaction.

The assignment

The assignment of the receivables under the Securitisation Law is governed by Article 58, paragraphs 2, 3 and 4, of the Consolidated Banking Act and by Article 4 of the Securitisation Law. According to such provisions, the assignment can be perfected against the originator, assigned debtors and third party creditors by way of publication in the Official Gazette and registration of the sale with the competent Register of Companies, so avoiding the need for notification to be served on each assigned debtor.

As of the date on which both the publication of the notice in the Official Gazette and the registration of the sale with the competent Register of Companies have occurred, the assignment becomes enforceable against:

(a) the assigned debtors and any creditors of the originator who have not prior to the date of publication of the notice and registration of the sale with the competent Register of Companies commenced enforcement proceedings in respect of the relevant receivables;

(b) the liquidator or any other bankruptcy officials of the assigned debtors (so that any payments made by an assigned debtor to the purchasing company may not be subject to any claw-back action according to Article 67 of Italian Royal Decree No. 267 of 16 March 1942 (*Legge Fallimentare*), (the "**Bankruptcy Law**")); and

(c) other permitted assigns of the originator who have not perfected their assignment prior to the date of publication and registration of the sale with the competent Register of Companies.

The benefit of any privilege, guarantee or security interest guaranteeing or securing repayment of the assigned receivables will automatically be transferred to and perfected with the same priority in favour of the company which has purchased the receivables, without the need for any formality or annotation.

As from the date on which both the publication of the notice of the assignment in the Official Gazette and the registration of the sale with the competent Register of Companies have occurred, no legal action may be brought against the assigned receivables or the sums derived therefrom other than for the purposes of enforcing the rights of the Noteholders issued for the purpose of financing the acquisition of the relevant receivables and to meet the costs of the transaction.

Notice of the assignment of the Receivables pursuant to the Transfer Agreement was published in the Official Gazette on 2 July 2004 and the registration of such sale with the Register of Companies of Genoa is expected to take place on or about the Issue Date.

Assignments executed under the Securitisation Law are subject to revocation upon bankruptcy under Article 67 of the Bankruptcy Law but only in the event that the securitisation transaction is entered into within three months of the adjudication of bankruptcy of the relevant party or in cases where paragraph 1 of Article 67 applies, within six months of the adjudication of bankruptcy.

Ring-fencing of the assets

Under the terms of Article 3 of the Securitisation Law, the assets relating to each securitisation transaction will, by operation of law, be segregated for all purposes from all other assets of the company which purchases the receivables (including for the avoidance of doubt, any other portfolio purchased by the company pursuant to the Securitisation Law). On a winding up of such a company, such assets will only be available to the holders of notes issued to finance the acquisition of the relevant receivables and to certain creditors claiming payment of debts incurred by the company in connection with the securitisation of the relevant assets. In addition, the assets relating to a particular transaction will not be available to the holders of notes issued by the company to finance any other securitisation transaction or to general creditors of the company. However, under Italian law, any other

creditor of the company would be able to commence insolvency or winding up proceedings against the company in respect of any unpaid debt.

Claw-back of the sale of the Receivables

The sale of the Portfolio by CARIGE to the Issuer may be clawed back by a receiver of CARIGE under Article 67 of the Bankruptcy Law but only in the event that CARIGE was insolvent when the assignment was entered into and its execution was made within three months of the admission of CARIGE to compulsory liquidation (*liquidazione coatta amministrativa*) pursuant to Title IV, Heading I, Section III of the Consolidated Banking Act or in cases where paragraph 1 of Article 67 applies, within six months of the admission to the compulsory liquidation. Under the Transfer Agreement, CARIGE has represented and warranted that it was not insolvent as of the Effective Date, such representation to be repeated on the Issue Date, and will deliver to the Joint Lead Managers a solvency certificate dated the Issue Date.

Claw-back action against the payments made to companies incorporated under the Securitisation Law

According to Article 4 of the Securitisation Law, the payments made by an assigned debtor to the Issuer may not be subject to any claw-back action according to Article 67 of the Bankruptcy Law.

All other payments made to the Issuer by any party under a Transaction Document in the one year suspect period prior to the date on which such party has been declared bankrupt or has been admitted to the compulsory liquidation may be subject to claw-back action according to Article 67 of the Bankruptcy Law. The relevant payment will be set aside and clawed back if the receiver gives evidence that the recipient of the payments had knowledge of the state of insolvency when the payments were made. The question as to whether or not the Issuer had actual or constructive knowledge of the state of insolvency at the time of the payment is a question of fact with respect to which a court may in its discretion consider all relevant circumstances.

Ineffectiveness of prepayments by Borrowers

Pursuant to Article 65 of the Bankruptcy Law, in the event that a Borrower is declared bankrupt, any payment made by the Borrower during the two-year period prior to the declaration of bankruptcy in respect of any amount which fall due and payable on or after the date of declaration of bankruptcy (including accordingly, any prepayments made under the relevant Mortgage Loan Agreement) are ineffective vis-à-vis the Issuer. However, according to certain jurists and the sole published case-law *in terminis* (ruling issued by the court of Verbania on 13 August 1999), the prepayment of debts secured by mortgage should not be declared ineffective if: (a) the "hardening" period (*periodo di consolidamento*) applicable to such mortgage has fully expired; and (b) the bankruptcy receiver has not proved that the prepayments have been prejudicial to the other creditors of the assigned debtor who rank higher than the recipient of such prepayments.

Mutui Fondiari

In addition to the general legislation commonly applicable to mortgage lending, mortgage loans which qualify as *mutui fondiari* are regulated by specific legislation which provides for a number of rights in favour of the mortgage lender that are not provided for by general legislation.

Agreements relating to *mutui fondiari* executed before 1 January 1994 are regulated by the Italian legislation on *credito fondiario* in force prior to that date, which permitted only credit institutions having special licence to grant *mutui fondiari*. All other credit institutions were not permitted to conduct mortgage lending business. As of 1 January 1994, under the new legislative framework under the Consolidated Banking Act, all banks having a general banking licence became qualified to enter into *mutui fondiari* agreements. The new legislation applies only to *mutui fondiari* agreements executed, and foreclosure proceedings commenced, on or after 1 January 1994.

Foreclosure proceedings

Mortgages may be: (i) "voluntary" (*ipoteche volontarie*) if granted by a borrower or a third party guarantor by way of a deed; or (ii) "judicial" (*ipoteche giudiziarie*) if registered in the appropriate land registry (*Conservatoria dei Registri Immobiliari*) following a court order or injunction to pay amounts in respect of any outstanding debt or unperformed obligation.

A mortgage lender (whose credit is secured by a mortgage whether "voluntary" or "judicial") may commence foreclosure proceedings by seeking a court order or injunction for payment in the form of an enforcement order (*titolo esecutivo*) from the court in whose jurisdiction the mortgaged property is located. This court order or injunction must be served on the debtor.

If the mortgage loan was executed in the form of a public deed, a mortgage lender can serve a copy of the mortgage loan agreement, stamped by a notary public with an order for the execution thereof (*formula esecutiva*)

directly on the debtor without the need to obtain an enforcement order (*titolo esecutivo*) from the court. A writ of execution (*atto di precetto*) is notified to the debtor together with either the enforcement order (*titolo esecutivo*) or the loan agreement, as the case may be.

Within ten days of filing, but not later than ninety days from the date on which notice of the writ of execution (*atto di precetto*) is served, the mortgage lender may request the attachment of the mortgaged property. The property will be attached by a court order, which must then be filed with the appropriate land registry (*Conservatoria dei Registri Immobiliari*). The court will, at the request of the mortgage lender, appoint a custodian to manage the mortgaged property in the interest of the mortgage lender. If the mortgage lender does not make such a request, the debtor will automatically become the custodian of such property.

The mortgage lender is required to search the land registry to ascertain the identity of the current owner of the property and must then serve notice of the request for attachment on the current owner, even if no transfer of the property from the original borrower or mortgagor to a third party purchaser has been previously notified to the mortgage lender. Not earlier than ten days and not later than ninety days after serving the attachment order, the mortgage lender may request the court to sell the mortgaged property. The court may delay its decision in respect of the mortgage lender's request in order to hear any challenge by the debtor to the attachment.

Technical delays may be caused by the need to append to the mortgage lender's request for attachment copies of the relevant mortgage and cadastral (i.e. land registry) certificates (*certificati catastali*), which usually take some time to obtain. Law No. 302 of 3 August 1998 should reduce the duration of the foreclosure proceedings by allowing the mortgage lender to substitute such cadastral certificates with certificates obtained from public notaries and by allowing public notaries to conduct various activities which were previously exclusively within the powers of the court.

If the court decides to proceed with an auction (*vendita con incanto*) of the mortgaged property, it will usually appoint an expert to value the property. The court will then order the sale by auction. The court determines on the basis of the expert's appraisal the minimum bid price for the property at the auction.

If an auction fails to result in the sale of the property, the court will arrange a new auction with a lower minimum bid price. The courts have discretion to decide whether, and to what extent, the bid price should be reduced (the maximum permitted reduction being one-fifth of the minimum bid price of the previous auction). In practice, the courts tend to apply the one-fifth reduction. In the event that no offer is made during an auction, the mortgage lender may apply to the court for a direct assignment of the mortgaged property to the mortgage lender itself. In practice, however, the courts tend to hold auctions until the mortgaged property is sold.

The sale proceeds, after deduction of the expenses of the foreclosure proceedings, INVIM (a tax payable by the debtor in respect of any increase in the value of the mortgaged property during the time it was owned by him until 31 December 1992 but which has been abolished with effect from 1 January 2003) and any expenses for the deregistration of the mortgages, will be applied in satisfaction of the claims of the mortgage lender in priority to the claims of any other creditor of the debtor (except for the claims for taxes due in relation to the mortgaged property and for which the collector of taxes participates in the foreclosure proceedings).

Upon payment in full of the purchase price by the purchaser within the specified time period, title to the property will be transferred after the court issues an official decree ordering the transfer. In the event that proceedings have been commenced by creditors other than the mortgage lender, the mortgage lender will have priority over such other creditors in having recourse to the assets of the borrower during such proceedings, such recourse being limited to the value of the mortgaged property.

The average length of foreclosure proceedings beginning with the court order or injunction of payment until the final sharing out is between six and seven years. In the medium-sized central and northern Italian cities, it can be significantly less whereas in major cities or in southern Italy, the duration of the procedure can significantly exceed the average. Law No. 302 has been passed with the aim of reducing the duration of foreclosure proceedings.

The impact of Law No. 302

Law No. 302 amending the Italian Civil Procedure Code has introduced certain rules according to which some of the activities to be carried out in a foreclosure procedure may be entrusted to a notary public duly registered with the relevant register of a court. In particular, if requested by a creditor, the notary public may issue a notarial certificate attesting the results of the searches with the "*catasto*" and with the appropriate land registry (*Conservatoria dei Registri Immobiliari*). Such notarial certificate replaces several documents which are usually required to be attached to the motion for the auction and reduces the timing normally required to obtain the documentation from the relevant public offices. Moreover, if appointed by the foreclosure judge, the notary public may execute the sale by auction by (a) determining the value of the property; (b) deciding on the offers

received after the auction and concerning the payment of the relevant price; (c) initiating further auctions or transfer; (d) executing certain formal documents relating to the registration and filing with the land registry of the transfer decree prepared by the same notary public and issued by the foreclosure judge; and (e) preparing the proceeds' distribution plan and forwarding the same to the foreclosure judge.

With regard to the above, the involvement of a notary public by the foreclosure judge is permitted when (a) the foreclosure judge has not yet decided on the motion for an auction; (b) a sale without auction has not been performed successfully and the foreclosure judge – after consultation with the creditors – decides to proceed with an auction; and (c) a possible receivership has ceased and the foreclosure judge decides to proceed with a sale by auction. On the other hand, the involvement of a notary public does not seem to be possible both when a decree providing for the sale without auction has already been issued and when an auction before the foreclosure judge has already been fixed. If the auction is concluded without a sale, it is possible that the foreclosure judge may delegate the power to execute further auctions to the notary public.

Mutui Fondiari foreclosure proceedings

The Mortgage Loans comprised in the Portfolio are *mutui fondiari* or *mutui ipotecari*. Foreclosure proceedings in respect of *mutui fondiari* commenced after 1 January 1994 are currently regulated by Article 38 (and subsequent provisions) of the Consolidated Banking Act in which several exceptions to the rules applying to foreclosure proceedings in general are provided for. In particular, there is no requirement to serve a copy of the loan agreement directly on the borrower and the mortgage lender of *mutui fondiari* is entitled to commence or continue foreclosure proceedings after the debtor is declared insolvent or insolvency proceedings have been commenced.

Moreover, the custodian appointed to manage the mortgaged property in the interests of the *fondiario* lender pays directly to the lender the revenues recovered on the mortgaged property (net of administration expenses and taxes). After the sale of the mortgaged property, the court orders the purchaser (or the assignee in the case of an assignment) to pay that part of the price corresponding to the *mutui fondiari* lender's debt directly to the lender.

Pursuant to Article 58 of the Consolidated Banking Act, as amended by Article 12 of Italian Legislative Decree No. 342 of 4 August 1999, the Issuer will be entitled to benefit from such procedural advantages which apply in favour of a lender of a *mutuo fondiario* loan.

Foreclosure proceedings for *mutui fondiari* commenced on or before 31 December 1993 are regulated by Italian Royal Decree No. 646 of 16 July 1905, which confers on the *mutuo fondiario* lender rights and privileges that are not provided for by the Consolidated Banking Act with respect to foreclosure proceedings on *mutui fondiari* commenced on or after 1 January 1994. Such additional rights and privileges include the right of the bank to commence foreclosure proceedings against the borrower even after the real estate has been sold to a third party who has taken the place of the borrower as debtor under the *mutuo fondiario* provided that the name of such third party has not been notified to the lender. Further rights include the right of the bank to apply for the real estate to be valued by the court after commencement of foreclosure proceedings, at the value indicated in the *mutuo fondiario* agreement without having to have a further expert appraisal.

Pursuant to Article 40, paragraph 2 of the Consolidated Banking Act, a mortgage lender is entitled to terminate a loan agreement and accelerate the mortgage loan (*diritto di risoluzione contrattuale*) if the debtor has delayed payment of an instalment at least seven times whether consecutively or otherwise. For this purpose, a payment is considered delayed if it is made between 30 and 180 days after the due date for payment.

Priority of interest claims

Pursuant to Article 2855 of the Italian Civil Code, the claims of a mortgage lender in respect of interest may be satisfied in priority to the claims of all other unsecured creditors in an amount equal to the aggregate of (i) the interest accrued at the contractual rate in the calendar year in which the initial stage of the foreclosure proceedings are taken and in the two preceding calendar years; and (ii) the interest accrued at the legal rate (currently 2.5 per cent.) from the end of the calendar year in which the initial stage of the foreclosure proceeding is commenced to the date on which the mortgaged property is sold. Any amount recovered in excess of this will be applied to satisfy the claims of any other creditor participating in the foreclosure proceedings. The mortgage lender will be entitled to participate in the distribution of any such excess as an unsecured creditor. The balance, if any, will then be paid to the debtor.

The Portfolio

The Portfolio comprises 13,272 residential mortgage loans granted to individuals, originated by CARIGE, by ICFL (before its merger with CARIGE in 1994) and by certain branches of Cassa di Risparmio di Parma e Piacenza S.p.A., Banca Intesa S.p.A., Banco di Sicilia S.p.A. and BIPOP CARIRE S.p.A., that have been transferred to CARIGE before 31 December 2003 as a result of the going concern acquisitions by CARIGE from these banks. As at 30 June 2004, the aggregate Outstanding Principal of the Portfolio was Euro 864,518,384.35.

The Mortgage Loans have been transferred together with any ancillary rights of CARIGE in respect of the Mortgage Loans, including all mortgages, collateral and personal security, privileges and priority rights and other ancillary rights (*accessori*) pertaining thereto, as well as any other right, claim and action (including any action for damages), substantial and procedural action and defences inherent or otherwise ancillary to such rights and claims and as any other rights in relation to any insurance policies executed in connection with the Mortgage Loans.

Each of the Mortgage Loans is secured by (i) a first ranking priority mortgage (*ipoteca di primo grado*); or (ii) a subsequent ranking priority mortgage (*ipoteca di grado successivo*) where the obligations secured by the mortgage(s) ranking prior thereto have been fully satisfied; or (iii) a subsequent ranking priority mortgage (*ipoteca di secondo grado*) provided that (a) the principal amount of the Mortgage Loan secured by such Mortgage, together with the outstanding principal amount of the mortgage loan(s) secured by prior ranking priority mortgage(s) over the same Real Estate Asset, does not exceed 80 per cent. of the value of such Real Estate Asset¸ and (b) the Receivables secured by prior ranking priority mortgage(s) have been transferred to the Issuer.

As of 30 June 2004, no Instalment remained unpaid in whole or in part. During the period from 31 December 1994 (included) to 30 June 2004 (included), none of the Borrowers was classified as *incagli* (defaulted) or *in sofferenza* (non-performing) by CARIGE.

Each Mortgage Loan was fully disbursed before 31 December 2003.

Criteria

The Portfolio has been selected on the basis of the Criteria described in the section entitled "*Description of the Transfer Agreement*" and the Mortgage Loans comprised therein satisfied such Criteria as of 30 June 2004 (the "**Effective Date**").

Description of the Preliminary Portfolio

The information set out in the tables below is derived from information provided by the Originator and refers to a portfolio of 13,322 mortgage loans selected on the basis of the Criteria as of 31 May 2004 (the "**Preliminary Portfolio**"). As of 31 May 2004, the aggregate Outstanding Principal of the Preliminary Portfolio amounted to Euro 873,602,025. Investors should note that the Portfolio assigned to the Issuer pursuant to the Transfer Agreement comprises 13,272 Mortgage Loans selected on the basis of the Criteria as of 30 June 2004. Accordingly, the characteristics of the Portfolio as at the Issue Date will vary from those set out in the tables below as a result of the inclusion in the Preliminary Portfolio of 50 mortgage loans that do not form part of the Portfolio due to prepayments before the Effective Date and non-compliance with the Criteria as of the Effective Date. The characteristics of the Portfolio as at the Issue Date may furthermore vary from those set out in the tables below as a result of, *inter alia*, prepayments under the Mortgage Loans during the period between the Effective Date and the Issue Date.

TABLE 1

Key data on the Preliminary Portfolio

Aggregate balances of the Mortgage Loans (€)	873,602,025
Total number of Mortgage Loans (no.)	13,322
Total number of debtors (no.)	13,119
Average outstanding balance of any Mortgage Loan (€)	65,575.89
Largest outstanding balance of each Mortgage Loan (€)	861,578.19
Weighted average original loan to value ratio (LTV%)	62.20
Weighted average current loan to value ratio (LTV%)	57.19
Weighted average maturity (years)	16.17
Longest maturity (date)	31/12/2033
Weighted average seasoning (months)	22
Weighted average spread over the relevant index for floating, mixed and cap rate loans (%)	1.60
Weighted average rate for fixed rate loans (%)	6.47

TABLE 2

Breakdown of the Preliminary Portfolio by mortgage loan type

Type of Mortgage Loan	Number of mortgage loans	% of total Mortgage Loans	Aggregate outstanding principal balance (€)	% of total outstanding principal
Fixed rate[1]	2,144	16.09	83,017,524	9.50
Floating rate[2]	7,016	52.66	519,029,080	59.41
Floating rate with cap[3]	3,888	29.18	240,856,065	27.57
Mixed rate[4]	274	2.06	30,699,356	3.51
Total	13,322	100	873,602,025	100

(1) Mortgage loans having a fixed rate of interest determined by the respective mortgage loan agreement.

(2) Mortgage loans having a rate of interest based on a variable index rate (i.e. EURIBOR).

(3) Mortgage loans having a floating rate which can never be higher than a fixed amount determined in the respective mortgage loan agreement.

(4) Mortgage loans having a fixed rate for the first two years and then a floating rate.

TABLE 3

Breakdown of the Preliminary Portfolio by original principal balance

Range of Original Principal Balance (€)	Number of mortgage loans	% of total Mortgage Loans	Aggregate outstanding principal balance (€)	% of total outstanding principal
0-25,000	1,087	8.16	16,668,380	1.91
25,000–50,000	3,851	28.91	115,860,989	13.26
50,000–75,000	3,114	23.37	164,243,016	18.80
75,000–100,000	2,282	17.13	180,109,179	20.62
100,000– 125,000	1,432	10.75	146,800,371	16.80
125,000 – 150,000	782	5.87	99,440,636	11.38
150,000 –175,000	323	2.42	48,442,773	5.55
175,000- 200,000	197	1.48	35,147,159	4.02
200,000 – 225,000	73	0.55	14,064,369	1.61
225,000 – 250,000	62	0.47	14,044,789	1.61
250,000 – 272,500	29	0.22	6,803,829	0.78
272,500 –300,000	25	0.19	6,868,368	0.79
Over 300,000	65	0.49	25,108,168	2.87
Total	13,322	100.00	873,602,025	100.00

TABLE 4

Breakdown of the Preliminary Portfolio by outstanding principal balance

Range of Outstanding Principal Balance (€)	Number of mortgage loans	% of total Mortgage Loans	Aggregate outstanding principal balance (€)	% of total outstanding principal
0-25,000	2,335	17.53	39,385,630	4.51
25,000–-50,000	3,921	29.43	147,145,829	16.84
50,000–-75,000	2,697	20.24	168,900,522	19.33
75,000–-100,000	1,932	14.50	169,482,853	19.40
100,000–- 125,000	1,188	8.92	133,383,619	15.27
125,000 – 150,000	604	4.53	81,835,424	9.37
150,000 –175,000	278	2.09	44,839,360	5.13
175,000- 200,000	158	1.19	29,456,501	3.37
200,000 – 225,000	58	0.44	12,315,070	1.41
225,000 – 250,000	54	0.41	12,740,672	1.46
250,000 – 272,500	22	0.17	5,743,382	0.66
272,500 –300,000	19	0.14	5,401,798	0.62
Over 300,000	56	0.42	22,971,365	2.63
Total	13,322	100.00	873,602,025	100.00

TABLE 5

Breakdown of the Preliminary Portfolio by original loan to value ratio

Range of Original Loan to Value Ratio (%)	Number of mortgage loans	% of total Mortgage Loans	Aggregate outstanding principal balance (€)	% of total outstanding principal
0-10	86	0.65	1,834,253	0.21
10-20	588	4.41	17,723,756	2.03
20-30	979	7.35	36,672,563	4.20
30-40	1,301	9.77	61,373,632	7.03
40-50	1,960	14.71	102,117,557	11.69
50-60	1,630	12.24	102,590,194	11.74
60-70	2,417	18.14	160,072,990	18.32
70-80	4,361	32.74	391,217,079	44.78
Total	13,322	100.00	873,602,025	100.00

TABLE 6

Breakdown of the Preliminary Portfolio by current loan to value ratio

Range of Current Loan to Value Ratio (%)	Number of mortgage loans	% of total Mortgage Loans	Aggregate outstanding principal balance (€)	% of total outstanding principal
0-10	290	2.18	4,484,242	0.51
10-20	1,039	7.80	28,978,790	3.32
20-30	1,517	11.39	57,294,455	6.56
30-40	1,690	12.69	81,238,492	9.30
40-50	1,896	14.23	110,763,571	12.68
50-60	1,960	14.71	131,100,033	15.01
60-70	2,055	15.43	164,395,072	18.82
70-80	2,875	21.58	295,347,370	33.81
Total	13,322	100.00	873,602,025	100.00

TABLE 7

Breakdown of the Preliminary Portfolio by seasoning

Months of Origination	Number of mortgage loans	% of total Mortgage Loans	Aggregate outstanding principal balance (€)	% of total outstanding principal
0-6	1,048	7.87	92,752,586.9	10.62
6-12	2,454	18.42	200,868,339.8	22.99
12-18	2,138	16.05	163,048,205.3	18.66
18-24	2,198	16.50	153,830,638.0	17.61
24-30	1,515	11.37	97,129,471.3	11.12
30-36	816	6.13	47,077,648.5	5.39
36-42	408	3.06	21,053,830.9	2.41
42-48	441	3.31	20,230,238.9	2.32
48-54	476	3.57	20,915,780.1	2.39
54-60	522	3.92	20,375,734.7	2.33
+ 60	1,306	9.80	36,319,550.6	4.16
Total	13,322	100.00	873,602,025	100.00

TABLE 8

Breakdown of the Preliminary Portfolio by residual life

Months of Origination	Number of mortgage loans	% of total Mortgage Loans	Aggregate outstanding principal balance (€)	% of total outstanding principal
2005	154	1.16	1,452,912.17	0.17
2006	216	1.62	3,609,128.54	0.41
2007	356	2.67	7,168,312.13	0.82
2008	463	3.48	12,925,843.36	1.48
2009	532	3.99	16,112,465.72	1.84
2010	389	2.92	12,587,910.30	1.44
2011	553	4.15	23,542,569.56	2.69
2012	1,243	9.33	55,871,743.42	6.40
2013	1,300	9.76	65,503,409.20	7.50
2014	413	3.10	20,728,937.32	2.37
2015	434	3.26	23,686,008.35	2.71
2016	647	4.86	37,883,869.76	4.34
2017	1,520	11.41	103,458,242.67	11.84
2018	1,535	11.52	115,054,753.77	13.17
2019	34	0.26	3,119,613.38	0.36
2020	58	0.44	4,458,774.41	0.51
2021	162	1.22	15,127,891.97	1.73
2022	432	3.24	40,010,434.51	4.58
2023	860	6.46	85,098,249.55	9.74
2024	8	0.06	583,833.63	0.07
2025	16	0.12	1,397,297.93	0.16
2025+	1,997	14.99	224,219,823	25.67
Total	13,322	100.00	873,602,025	100.00

TABLE 9

Breakdown of the Preliminary Portfolio by region and geographical area

Region	Number of mortgage loans	% of total Mortgage Loans	Aggregate outstanding principal balance (€)	% of total outstanding principal
Val d'Aosta	0	0.00	0	0.00
Piedmont	1,139	8.55	70,006,020	8.01
Liguria	6,840	51.34	380,908,709	43.60
Lombardy	2,261	16.97	206,298,621	23.61
Trentino Alto-Adige	4	0.03	448,031	0.05
Friuli Venezia-Giulia	8	0.06	945,959	0.11
Veneto	504	3.78	40,171,123	4.60
Emilia Romagna	654	4.91	59,466,527	6.81
North of Italy	11,410	85.65	758,244,991	86.80
Tuscany	78	0.59	6,060,614	0.69
Marche	140	1.05	10,275,915	1.18
Umbria	56	0.42	3,410,711	0.39
Lazio	405	3.04	32,751,437	3.75
Abruzzi	8	0.06	729,146	0.08
Molise	1	0.01	74,631	0.01
Centre of Italy	688	5.16	53,302,454	6.10
Campania	11	0.08	1,028,770	0.12
Puglia	364	2.73	16,324,343	1.87
Basilicata	2	0.02	159,072	0.02
Calabria	10	0.08	807,948	0.09
South of Italy	387	2.90	18,320,133	2.10
Sardinia	267	2.00	18,759,931	2.15
Sicily	570	4.28	24,974,517	2.86
Islands	837	6.28	43,734,447	5.01
Total	13,322	100.00	873,602,025	100.00

TABLE 10

Breakdown of the Preliminary Portfolio by type of interest rate spread class over the Index(1) of floating rate, mixed loans and cap rate loans

Interest Rate Spread (%)	Number of mortgage loans	% of total Mortgage Loans	Aggregate outstanding principal balance (€)	% of total outstanding principal
0.00-0.25	1	0.01	11,530	0.00
0.25-0.50	16	0.14	754,790	0.10
0.50-0.75	123	1.10	6,065,782	0.77
0.75-1.00	1,205	10.78	88,722,578	11.22
1.00-1.25	991	8.87	86,064,382	10.89
1.25-1.50	4,271	38.21	269,245,497	34.06
1.50-1.75	2,099	18.78	139,463,011	17.64
Over 1.75	2,472	22.11	200,256,930	25.33
Total	11,178	100.00	790,584,501	100.00

(1) Index means the base component of the rate applicable to each floating rate mortgage loan agreement.

TABLE 11

Breakdown of the Preliminary Portfolio by type of interest rate tenor and index

Type of Rate	Number of mortgage loans	% of total Mortgage Loans	Aggregate outstanding principal balance (€)	% of total outstanding principal
BOT 3 M 50%+RENDISTATO 50% ..	11	0.08	220,763	0.03
BOT 12 M 50%+RENDISTATO 50%	49	0.37	835,555	0.10
EURIBOR 1 M	337	2.53	12,633,700	1.45
EURIBOR 3 M 50%+RENDISTATO 50%	371	2.78	10,197,481	1.17
EURIBOR 3 M	121	0.91	6,036,540	0.69
EURIBOR 6 M	9,992	75.00	729,487,088	83.50
LIBOR 3 M	2	0.02	78,780	0.01
PRIME RATE ABI	16	0.12	264,206	0.03
RIBOR 3 M 50%+RENDISTATO 50%	5	0.04	131,032	0.01
Fixed rate	2,144	16.09	83,017,524	9.50
Mixed rate.....	274	2.06	30,699,356	3.51
Total	13,322	100.00	873,602,025	100.00

TABLE 12

Breakdown of the Preliminary Portfolio by range of fixed rate class

Class of Interest Rate	Number of mortgage loans	% of total Mortgage Loans	Aggregate outstanding principal balance (€)	% of total outstanding principal
0-4.50	3	0.14	102,844	0.12
4.50-5.00.....	64	2.99	2,505,748	3.02
5.00-5.50.....	243	11.33	9,801,705	11.81
5.50-6.00	351	16.37	12,668,116	15.26
6.00-6.50	416	19.40	19,173,955	23.10
6.50-7.00	494	23.04	18,999,361	22.89
7.00-7.40	250	11.66	10,252,679	12.35
Over 7.40	323	15.07	9,513,117	11.46
Total	2,144	100.00	83,017,524	100.00

TABLE 13

Breakdown of the Preliminary Portfolio by frequency of payments

Frequency	Number of mortgage loans	% of total Mortgage Loans	Aggregate outstanding principal balance (€)	% of total outstanding principal
Monthly.....	12,898	96.82	846,959,474.52	96.95
Semi-annually	424	3.18	26,642,550.51	3.05
Total	13,322	100.00	873,602,025	100.00

TABLE 14

Breakdown of the Preliminary Portfolio by payment method

Payment Method	Number of mortgage loans	% of total Mortgage Loans	Aggregate outstanding principal balance (€)	% of total outstanding principal
Direct debit	13,322	100.00	873,602,025	100.00
Total	13,322	100.00	873,602,025	100.00

The Originator

Overview

CARIGE (referred to in this section also as the "**Bank**") is the largest retail bank in the north-western Italian region of Liguria, with leading market shares for Liguria (according to the Bank's calculations based on published Bank of Italy data) as at 31 January 2004 of 22.90% of total deposits, 20.84% of total loans outstanding and, as at 30 June 2003, 22.28% of total bank branches. The Bank's large retail client base provides it with a relatively stable source of low-cost funding. Customer funds represented 85.9% of the Bank's total funding sources as at 31 December 2003. The Bank's retail client base also allows the Bank access to a large and diversified base of customers for related bank products, including asset management and other financial services. The Bank engages in a wide variety of traditional banking activities including treasury services, sale of money market products to corporate customers, foreign exchange dealing, underwriting, trading and selling of debt and equity securities, as well as a range of other financial services provided by specialised divisions of the Bank or its associated or subsidiary companies, including leasing, factoring, money management, home banking, telephone banking, e-banking and insurance. The Bank's insurance operations were strengthened by the acquisition of the Italian insurance operations of Gruppo d'Assicurazioni La Basilese ("**Baloise**") in July 1997, and carried out activities in the real estate and public works mortgage loans market segment through its former subsidiary, Istituto di Credito Fondiario della Liguria S.p.A. ("**ICFL**"). ICFL, owned 73.889% by CARIGE at the end of 1993, focused its activities on mortgages and home loans. In January 1994 Banca Carige incorporated ICFL and other group companies (Mediocredito Ligure S.p.A., Columbus Leasing S.p.A., Columbus Factoring S.p.A. and Columbus Domestic S.p.A.), with the subsequent creation of a universal bank.

As at 31 December 2003, the Bank had total assets of € 14,653.1 million, deposits of € 10,025.4 million and total loans outstanding of € 9,247.1 million. The Bank's net income for the year ended 31 December 2003 was € 106.2 million.

HISTORY

The origins of the Bank can be traced back to 1483, the year in which Beato Angelo da Chivasso founded Monte di Pietà di Genova. The Bank was established in its current form in 1991 when it became a subsidiary of Fondazione Cassa di Risparmio di Genova e Imperia (the "**Foundation**"), following the enactment of the Amato Law in 1990, which required separation between ownership and operation of banks that were "mutually-owned" savings banks. More recently, in response to the changing competitive environment within the European and Italian banking systems, the Bank has matured from a local savings bank into a publicly-listed full-service bank by (i) improving credit risk monitoring and operating efficiencies through the merger into the Bank of its largest subsidiaries, including two financial institutions and three finance companies in 1994, and integrating the business activities of its other subsidiaries, (ii) investing heavily in information technology in order to support its operations and improve its operating efficiencies, (iii) first, entering into co-operation agreements for the provision of asset management services with Intesa Asset Management SGR SpA and Eptafund SpA and more recently, forming its own manager trust, Carige Asset Management SGR SpA, (iv) strengthening its insurance product line (which had been provided with Baloise since 1991) through the acquisition of Baloise's Italian insurance business in July 1997, (v) significantly increasing its presence in Liguria and in other Italian regions through internal growth (135 new branches opened between 1989 and 31 December 2003), and external growth with its purchase of 95.9% of Cassa di Risparmio di Savona SpA ("**CR Savona**"), of 54.0% of Banca del Monte di Lucca SpA ("**Banca del Monte di Lucca**") and of 90.0% of Cassa di Risparmio di Carrara SpA ("**CR Carrara**"), controlled by Caricarrara Holding SpA, (vi) finalising three important branch acquisitions from other banks: the acquisition, at the end of 2000, of 21 branches from Banco di Sicilia to give the Bank access to new operating areas in Sicily; the purchase of 61 branches from IntesaBci Group early 2001 and of 42 branches from Capitalia Group at the end of 2002 to strengthen the Bank's presence in various regions throughout Italy ranging from Lombardy and Veneto in the north to Apulia and Sicily in the south, (vii) diversifying its sources of funding by accessing the equity markets (becoming in 1995 the first savings bank to be floated on the Milan Stock Exchange following the Foundation's commitment to privatise the Bank, attracting over 10,000 new shareholders) and the international bond market (obtaining international credit ratings in 1996 of "A" by Fitch, "A2" by Moody's and "A-" by Standard and Poor's for long-term debt and "F1", "P1" and "A2" respectively, for short-term debt. The Bank's ratings have not changed since then), and (viii) signing during 1999 important strategic agreements for co-operation in retail banking and capital markets with the French Caisse Nationale des Caisses d'Epargne et de Prévoyance ("**CNCEP**") and Caisse des Dépots et Consignations ("**CDC**"), the German WestLB AG ("**WestLB**") and El Monte Caja de Huelva Y Sevilla.

Following its development and diversification since its flotation, the Bank's net income increased from € 15.8 million for the year ended 31 December 1994 to € 106.2 million for the year ended 31 December 2003, notwithstanding a declining trend in net interest income due to strong compression of margins evident in the Italian banking market in recent years. The main contributing factors to this growth have been (i) significant expansion of non-interest income, (ii) efficiency enhancement through the reduction of the Bank's cost/income ratio from 78.9% for the year ended 31 December 1994 to 68.6% for the year ended 31 December 2003 and (iii) a marked improvement in asset quality.

OWNERSHIP STRUCTURE

The following table sets out the beneficial share ownership structure of the Bank as at 31 December 2003:

	Voting shares	(%)
The Foundation	416,335,007	43.37
CDC SA[1]	105,808,186	11.02
WestLB AG[2]	74,440,680	7.76
Baloise Holding AG[3]	54,067,281	5.63
El Monte—Caja de Huelva Y Sevilla	22,157,071	2.31
Gefip Holding SA	21,347,836	2.23
Cattolica Assicurazioni S.c.a.r.l.	19,197,950	2.00
Others	246,543,507	25.68
Total	959,897,518	100.00

Notes:

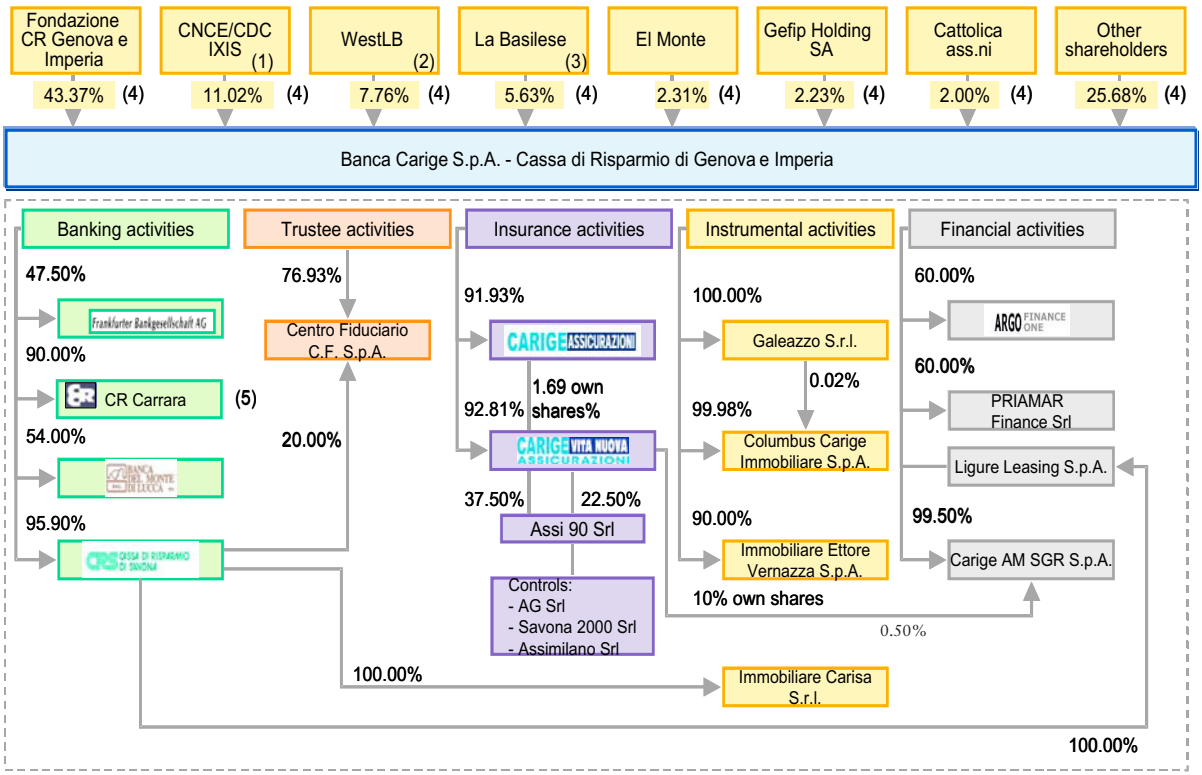
1. Holding via subsidiaries CDC IXIS and Compagnie Financière Eulia. Following internal reorganisation, the holding of CNCEP was transferred to Eulia.
2. Direct holding and via WestLB Italia (Finanziaria) S.p.A.
3. Holding via subsidiary La Basilese Compagnia di Assicurazioni sulla Vita.

During 2003, the Bank carried out part of the share capital increase resolved by the extraordinary shareholders' meeting of 10 September 2003. On 29 September 2003, the Bank's board of directors approved an increase in nominal share capital of € 92.8 million in the form of ordinary and savings shares and the issue of subordinated convertible bonds for € 102.1 million which resulted in an increase in net equity from € 1,020.5 million to € 1,113.3 million, made up of 959,897,518 ordinary shares and 153,429,321 savings shares.

Until June 2002, the Foundation, the Bank's majority shareholder, designated the directors of the Bank although it had no involvement in its day-to-day operations. In order to comply with the provisions of Law n. 153/99 (*L. Ciampi),* the Foundation, that currently owns 43.37% of the Bank's ordinary shares, decided to self–limit the number of directors designated to 8 out 18. This amendment was put into practice at the annual shareholders' meeting held on 31 March 2003 which appointed the new board of directors of the Bank for the years 2003, 2004 and 2005.

According to Bank of Italy regulations, the Bank, and not the Foundation, is currently the "*Capogruppo*" (head of group) of the group of companies headed by CARIGE (the "**Group**"). As such, the Bank is responsible for monitoring the Group's activities and maintaining the Group's relationship with the Bank of Italy.

The following chart shows the structure of the Group as at 30 April 2004.



Notes:

1. Holding via subsidiaries CDC - IXIS (4.042%) and Compagnie Financière Eulia (6.981%). Following internal reorganisation, the holding of CNCEP – Caisse Nationale des Caisses d'Epargne et de Prévoyance was transferred to Eulia.
2. 5.275% as direct holding and 2.48% via subsidiary WestLB (Italia) Finanziaria S.p.A.
3. Holding via subsidiary La Basilese Compagnia di Assicurazioni sulla Vita.
4. Holdings determined on ordinary shares.
5. On 16 January 2004 CARIGE and Cassa di Risparmio di Firenze SpA ("**CR Firenze**") acquired 100.00% of Carinord 2 SpA, aimed at allowing, via the break up and sale of the latter, the entry of CARIGE and CR Firenze into the ownership structure of, respectively, CR Carrara and Cassa di Risparmio di La Spezia SpA ("**CR Spezia**"). On 21 April 2004 Carinord 2 SpA was de-merged into CR Firenze and CARIGE. Now CR Firenze holds 100% of the new Carinord 2 S.p.A., holding of CR La Spezia, and CARIGE holds 100.00% of the newco Caricarrara Holding SpA, which controls 90.00% of CR Carrara.

The Bank's strategy is to focus its efforts on: (i) further expansion of lending (which remains the main contributor to the Bank's revenues) while accurately monitoring credit risk; (ii) developing a new range of products and services for the Bank to market to its existing retail customer base, leveraging its acquisitions in the insurance sector and taking advantage of the liberalisation in the insurance sector which allows insurance agents to sell certain banking products; (iii) rationalising activities with a view to enhancing general operating efficiencies by taking advantage of information technology, improving its organisational structure and continued focus on cost reduction; (iv) lowering the average loan portfolio risk through more selective credit policies and increasing recoveries through a specialised recovery unit; (v) further strengthening the Bank's leading position in Liguria, both organically and through the subsidiary bank CR Savona, while developing a similar retail presence in other geographic areas (in particular, the presence of the Group will be developed in Tuscany through the subsidiaries Banca del Monte di Lucca and CR Carrara, in Sicily (a new operating area) with the acquisition of 21 branches from Banco di Sicilia and in various regions throughout Italy through the purchase of 61 branches from IntesaBci Group and 42 branches from Capitalia Group); and (vi) consistently monitoring potential acquisition opportunities.

CAPITALISATION AND CAPITAL ADEQUACY

Capitalisation

The following table sets forth the capitalisation of the Bank as at 31 March 2004.

	As at 31 March 2004
	(€ in million)
Long term debt[1]: (A)	
subordinated debt	505.0
other long term debt	3,350.5
	3,855.5
Shareholders' equity: (B)	
Share capital[2]	1,113.3
Share premium	257.0
Reserves	252.4
Revaluation reserves	8.0
Net income	25.3
	1,656.0
Total (a + b)	5,511.5
Less reserves for own shares	–
Total capitalisation	5,511.5

Notes:

1. Excludes the portion of long term debt maturing in less than 12 months.
2. As a result of the capital increase carried out in the last quarter of 2003, with effect from 23 December 2003, the share capital of the Bank is made up of 959,897,518 ordinary shares and 153,429,321 savings shares.

No other material change to the capital and reserves of the Bank has taken place since 31 March 2004.

Capital adequacy

The Bank of Italy has adopted risk-based capital ratios ("**Capital Ratios**") pursuant to the EU capital adequacy directives. Italy's current capital requirements are in many respects similar to the requirements imposed by the international framework for capital measurement and capital standards of banking institutions of the Basle Committee on Banking Regulations and Supervisory Practices. The Capital Ratios set forth core ("**Tier I**") and supplementary ("**Tier II**" and "**Tier III**") capital requirements relative to a bank's assets and certain off-balance sheet items weighted according to risks ("**Risk-Weighted Assets**").

In accordance with Bank of Italy regulations, Capital Ratios are required to be calculated for the Bank and its subsidiaries as a consolidated group (with the Bank as *Capogruppo*) as well as for the Bank on a stand-alone basis. The Bank is required to maintain a total capital ratio on a consolidated basis of at least 8.0% and on a stand-alone basis of at least 7.0%

The following table sets forth the Tier I and Tier II capital levels and the relative ratios of the Bank as at 31 December 2001, 2002 and 2003. According to Bank of Italy regulations, the ratios set forth below with respect to the capital of the Bank have been calculated net of any dividend distributions.

	As at 31 December		
	2001	2002	2003
		(€ in million)	
Tier I capital	975.5	899.6	1,147.2
Tier II capital	404.1	405.7	512.5
Tier III capital	–	–	–
Participations in financial institutions of more than 10.0%[1][2]..	-22.7	-181.1	-190.6
Total capital[2]	1,356.9	1,124.2	1,469.1

Capital adequacy ratios

		(%)	
Tier I	11.11	9.27	10.85
Total capital[2]	15.45	11.58	13.89

Notes:

1. The Bank is required to deduct, for the purpose of Capital Ratios measurement, its investment in financial and credit institutions in which it holds more than 10.0% of the share capital (at present Frankfurter Bankgesellschaft AG and Consorzio per il Giurista d'Impresa Scrl); the shareholdings in CR Savona and Banca del Monte di Lucca are not deducted because they have been fully consolidated in order to calculate the total capital of the Group. The shareholdings in CR Carrara is not reflected in the above table because this participation has been acquired after 16 January 2004.
2. At 31 December 2002 and 2003, amounts include writedowns to the Bank's participations in its subsidiary, Carige R.D. Assicurazioni S.p.A., as requested by regulators. Excluding this deduction, total capital would rise respectively to € 1,282.6 million at 31 December 2002 and to € 1,647.5 million at 31 December 2003. The total capital adequacy ratio would rise respectively to 13.06% at 31 December 2002 and to 15.58 per cent at 31 December 2003.

OPERATIONS

As at 31 December 2003, the Bank operated 393 branches of which 202 were located in Liguria and the Bank had nearly 600,000 customer accounts providing it with a stable core deposit base. As at 31 December 2003, the Bank also had 461 ATMs and 11,211 "Point of Sale" terminals. All the Bank's ATMs are connected with the interbank ATM network in Italy called Bancomat, allowing the Bank's customers to use their Bancomat card at the Bank's ATMs and those of other member banks.

The Bank has a branch office in Nice, representative offices in Frankfurt, London, Madrid and New York, agencies (*uffici di mandato*) in Algiers, Moscow and Beijing and a recently opened desk at the Liguria region's offices in Brussels. The Bank also carries out operations in Germany through Frankfurter Bankgesellschaft AG in which it holds a 47.5% stake.

The Bank provides commercial banking services to a wide and diversified range of customers, but has traditionally concentrated on the provision of banking services to retail clients as well as to small and medium-sized businesses. This focus has enabled the Bank to defend its strong market position in Liguria despite regulatory liberalisation and the resulting increased competition. The Bank believes that stability of its customer base and its leading market share in Liguria make it economically difficult for competitors to challenge successfully the Bank's retail position.

The Bank's business can be divided into three main areas: (i) deposit-taking (both retail and wholesale) and the management of savings and custodial services; (ii) short-, medium- and long-term lending to individuals and business customers in all sectors of the economy; and (iii) insurance services.

FUNDING

Funding and management of savings

As at 31 December 2003, the Bank's total direct and indirect funding amounted to € 22,792.5 million, with direct funding (customer deposits) representing 44.0% of the total and the remaining 56.0% represented by assets under management and assets in custody. The relatively low average size of customer deposits (over € 10,000 per customer as at 31 December 2003) and the predominantly retail nature of the Bank's customer base have historically contributed to stable funding. As at 31 December 2003, the Bank's total indirect funding amounted to € 12,7676.1 million, with assets under management representing 51.6% of the total indirect funding and the remaining 48.4% represented by assets in custody.

The following table shows a break-down by type of the Bank's funding as at 31 December 2001, 2002 and 2003.

	As at 31 December		
	2001	2002	2003
		(€ in million)	
Customer deposits (direct funding)	8,099.3	9,236.2	10,025.4
Other financial activities (indirect funding) Assets under management	5,671.8	6,075.4	6,585.5
Assets in custody	5,677.1	6,311.4	6,181.6
Total other financial activities	11,348.9	12,386.8	12,767.1
Total direct and indirect funding	19,448.2	21,623.0	22,792.5

Due to the strong increase in competition for funds from various investment vehicles evident in recent years, the Bank has introduced new funding strategies, for both direct and indirect funding, in order to maintain and enhance customer loyalty and to increase the Bank's sources of funds as well as to generate fee income.

On the direct funding side, the Bank has increased the number of products offered with a view to meeting both the investment and liquidity needs of customers in order to stabilise its low-cost core funding. On the indirect funding side, the Bank has emphasised growth in assets under management over assets held in custody as a means of enhancing the Bank's fee income and maintaining customer loyalty. Assets under management as at 31 December 2003 were € 6,585.5 million, representing 51.6% of indirect funding. Assets under management, include mutual funds, private banking products and bancassurance products. Assets in custody include government bonds and other securities held by the Bank for customers. The Bank receives fee income from all of its indirect funding activities.

Deposit-taking

As at 31 December 2003, the Bank's total direct funding sources amounted to € 11,667.5 million, of which € 10,025.4 million were customer funds (deposits and other amounts due to customers) representing approximately 85.9% of total direct funding, with the balance made up mainly of short-term deposits from other banks in the interbank market.

As at 31 December 2003, the Bank's short-term direct funding (direct funding having an original maturity of less than 18 months) accounted for € 6,347.7 million or approximately 63.3% of total customer funding, principally in the form of interest-bearing current accounts. Given the lower interest rate environment which has been evident in Italy since 1996, the popularity of current and savings accounts has declined in recent years as customers have shifted deposits to more actively managed products.

The Bank's medium and long-term funding, which represented 36.7% of total direct funding as at 31 December 2003, principally takes the form of bond certificates.

Assets under management and custodial services

Total indirect funding of the Bank amounted to € 12,767.1 million as at 31 December 2003, of which assets under management and assets in custody represented 51.6% and 48.4%, respectively.

Assets in custody amounted to € 6,181.6 million as at 31 December 2003. These assets, comprising mainly Italian Government securities, represent an opportunity for the Bank to encourage the migration by customers of custodial funds to managed funds, which typically offer greater growth potential and returns to investors and enhanced fee income to the Bank.

The Bank, through its subsidiaries, Carige R.D. Assicurazioni Riassicurazioni S.p.A. ("**Carige Assicurazioni**", previously named Levante Norditalia SpA), and Carige Vita Nuova SpA ("**Carige Vita Nuova**"), distributes several bancassurance products, such as pension and annuity policies, mortgage or credit insurance policies, homeowners liability and hazard policies and motor insurance policies.

LENDING

As at 31 December 2003, the Bank's total outstanding loans were € 12,168.7 million, of which € 9,103.2 million, or 74.8%, were loans to customers, with the balance made up of loans to other banks in the interbank market. The Bank has pursued a policy of diversifying its loan products by market segment, tailoring products to the needs of customers based upon their region, economic sector and risk profile. The Bank's traditional customer

base has been small- and medium-sized businesses in the Liguria region, to which segment the Bank has actively marketed its services as financial consultant in order to further build customer loyalty and develop and increase the Bank's portfolio of loans to this market segment.

The following table sets forth the Bank's total loans outstadning by lending category as at 31 December 2001, 2002 and 2003.

	As at 31 December		
	2001	**2002**	**2003**
		(€ in million)	
Loans to customers Commercial credit	3,140.6	3,780.4	3,603.8
Real estate and public works mortgages	2,020.4	2,759.8	3,326.3
Industrial and agricultural credit	1,018.6	1,057.7	1,080.2
Parabanking[1]	520.6	715.2	777.7
Non-performing loans	200.4	235.7	302.5
Others	570.6	86.1	156.6
Total gross loans to customers	7,471.2	8,634.9	9,247.1
Less specific allowance for loan losses	-108.7	-119.6	-143.9
Total net loans to customers	7,362.5	8,515.3	9,103.2
Loans to banks Compulsory reserves	97.2	143.8	102.4
Deposits	785.7	1,024.3	730.0
Overdraft facilities	94.0	82.6	71.5
Repurchase agreements	–	19.5	–
Non-performing loans	–	21.7	17.5
Other loans	145.4	71.7	21.3
Total gross loans to banks	1,122.3	1,363.6	942.7
Less specific allowance for loan losses	-7.4	-7.9	-3.9
Total net loans to banks	1,114.9	1,355.7	938.8
Total net loans	8,477.4	9,871.0	10,042.0

Note:

1. Finance lease, factoring and consumer credit activities.

As at 31 December 2003, approximately 96.4% of gross customer loans were denominated in euros. At the same date, the Bank's short-term customer lending products (those having an original maturity of 18 months or less) represented 35.5% of the Bank's total loans to customers (excluding non-performing loans). (See below "*Defaulted and problem loans*").

As at 31 December 2003, approximately 59.7% of the Bank's loan portfolio related to loans to the business sector (non-financial institutions, artisans and family-owned businesses) and the remainder to consumers and public entities. Of the Bank's loans to the business sector, the most significant were to enterprises involved in commercial services, construction of public works and other services.

The Bank analyses its total outstanding lending commitments on a daily basis, which enables it to manage the growth of its loan portfolio in an orderly manner.

In line with its strategy of consistently defending and enhancing its customer base, the Bank has created an operating division dedicated to corporate finance activities and has created units of consultants dedicated to small and medium–sized businesses, which market segment provides higher spreads than the larger corporate sector and presents greater cross-selling opportunities. The Bank's goal is to develop a stable, long-lasting relationship with corporations for which it would serve in the roles of lender of first choice and financial intermediary in risk-capital and other alternative credit transactions, as well as in the broader role of financial consultant. The Bank intends to increase the diversification of its lending portfolio geographically, in terms of size and duration and in terms of risk, in accordance with the provisions of the New Basel Capital Accord.

Commercial credit

As at 31 December 2003, commercial credit outstanding amounted to € 3,603.8 million or 39.0% of total customer loans. The Bank provides commercial credit services to a large and diverse range of individuals and small to medium-sized corporate customers as well as public sector entities. The range of commercial lending services includes short-term credit lines, overdraft facilities, repurchase agreements, discounting of bills, letters of credit, project financing and import/export financing. As at 31 December 2003, the largest portion of this business (36.6%) was represented by overdrafts which amounted to € 1,318.1 million.

Real estate and public works, mortgage lending

Real estate and public works mortgage loans are a significant portion of the Bank's loan portfolio, which represented € 3,326.3 million or 36.0% of total customer loans as at 31 December 2003. The Bank increased its expertise in this market segment upon the merger into the Bank of its former subsidiary, Istituto di Credito Fondiario della Liguria S.p.A. ("**ICFL**"), in 1994.

Real estate mortgage loans include principally (i) residential mortgages to individuals on private residences, (ii) commercial mortgage loans, and (iii) mortgages on public works.

Of the total real estate and public works loans as at 31 December 2003, approximately € 1,866.1 million (or 56.1% of the total) related to individual residential mortgage loans, € 1,007.9 million (or 30.3%) to commercial real estate loans and € 452 million (or 13.6%) to public works loans.

The Bank's strategy is to maintain and increase its market share in residential mortgages to private individuals, where more profitable margins can be achieved and significant cross-selling opportunities, particularly in insurance, exist.

Industrial and agricultural credit

The Bank offers financing in the form of medium- and long-term finance to industrial companies and agricultural businesses. The Bank's total outstanding industrial and agricultural credit was € 1,080.2 million as at 31 December 2003. In its role as a *concessionaire* for the Italian Ministry of Productive Activities, the Bank is also responsible for handling applications for financing to be granted in connection with economic incentives to manufacturing and mining industries in all regions of Italy, resulting from the application of Italian laws implementing EC financing incentives for industry.

The Bank provides financing in the form of short-, medium- and long-term loans for agricultural land improvements. The Bank acquired the expertise for this type of lending through its merger with Mediocredito Ligure SpA in 1994.

Parabanking (finance lease, factoring and consumer credit)

The Bank offers parabanking products in the form of finance lease, factoring and consumer credit. The Bank's total exposure in these areas was € 777.7 million as at 31 December 2003. This segment is increasing in total volumes as well as in the size of individual contracts. Finance lease is the most active segment with € 674.3 million or 86.7% of the total parabanking activities as at 31 December 2003, and is specialised mainly in the real estate, capital equipment and automotive sectors. Factoring activities amounted to € 99.2 million as at 31 December 2003. The remaining amount outstanding as at 31 December 2003 was attributable to consumer credit, amounting to € 4.2 million. The Bank intends to develop its parabanking activities through further leveraging of the activities of its former subsidiaries which were merged into the Bank in 1994.

Defaulted and non-performing loans

The supervisory regulations of the Bank of Italy relating to problem loans identify five categories:

- loans in the course of restructuring (*crediti in corso di ristrutturazione*):

  these are loans where the counterparty is indebted to a large number of banks and any one debtor has presented a petition of consolidation in the previous 12 months;

- restructured loans (*crediti ristrutturati*) (together with loans in the course of restructuring, "**rescheduled loans**"):

  these are loans granted by a syndicate of banks (or just one bank) where a moratorium has been granted and the rate of interest has been renegotiated at a lower rate or at market rate. Loans to companies which have ceased trading or are insolvent are excluded from this category. Any bank(s) which do(es) not agree

with the restructuring must notify the other banks that it/they will treat the debt as a non-performing loan or an defaulted loan (i.e. a problem loan not categorised as a "non-performing loan");

- loans exposed to country risk (*crediti soggetti a rischio paese*):

  "country risk" relates to problems of solvency in countries where there are difficulties in respect of the service of debt;

- loans on "watchlist" or defaulted loans (*partite incagliate*):

  pursuant to guidelines established by the Bank of Italy, a lender must classify a loan as "watchlist" or defaulted loans when it determines that the borrower is experiencing financial or economic difficulties that are likely to be temporary;

- non-performing loans (*crediti in sofferenza*):

  pursuant to guidelines established by the Bank of Italy, a lender must classify a loan as a "non-performing loan" (*sofferenza*) once the lender initiates legal proceedings for the recovery of a loan or determines that the borrower is encountering serious financial or economic difficulties that are not likely to be temporary and that legal action for recovery of the loan would be advisable even if not initiated. A lender is also required to classify a loan as a "non-performing loan" if the lender's ongoing evaluation of the borrower leads it to conclude that the financial condition or commercial position of the borrower has worsened to the point where full recovery of both the principal of, and interest on, the loan is in doubt. Categorisation of a loan as a "non-performing loan" is frequently followed by a formal demand for repayment by the borrower (and in most cases, if applicable, by the guarantor) by a specific date.

The following table shows, as at 31 December 2001, 2002 and 2003, a breakdown of the defaulted loans and "non-performing loans" of the Bank (after provisions have been made and excluding arrears of interest):

	As at 31 December		
	2001	**2002**	**2003**
		(€ in million)	
(i) Defaulted loans	160.1	172.3	191.5
(ii) Non-performing loans	110.5	134.1	177.4
(iii) Total loans	7,362.4	8,515.3	9,103.2
Aggregate of (i) and (ii) as a percentage of (iii)	3.7%	3.6%	4.1%

The following table shows the composition of the Bank's non-performing loans and provisions (excluding arrears of interest) as at 31 December 2001, 2002 and 2003:

	As at 31 December		
	2001	**2002**	**2003**
		(€ in million)	
Nominal value of non-performing loans	200.4	235.7	302.5
Provisions	89.9	101.6	125.1
Net value of non-performing loans	110.5	134.1	177.4
Percentage of total loans represented by net value of non-performing loans	1.5%	1.6%	1.9%

The Bank has no significant exposure to emerging markets.

As part of the Bank's continuing efforts to improve its credit risk levels, € 292.5 million in the form of non-performing loans was securitised in December 2000 in accordance with the Securitisation Law as authorised by the Bank's board of directors meeting of 11 September 2000.

The effect of the securitisation was to reduce the balance sheet's liabilities by € 62.3 million (representing the difference between the nominal amount of the non-performing loans sold (€ 227.6 million) and the proceeds of sale (€ 165.3 million)). Under the Securitisation Law, this loss is to be amortised over a five year period. The securitisation has improved the Bank's non-performing loans/total lending ratio from 4.5% to 1.1%.

INTERIM RESULTS

On 10 May 2004, a meeting of the Bank's board of directors was held to examine the interim results of the three-month period ended 31 March 2004. The following provides a summary of the performance of the Bank over this three month period. All percentage increases are as compared to the three-month period ended 31 March 2003 unless otherwise stated.

- Net profit amounted to € 25.3 million representing an increase of 0.5%.
- Gross operating income decreased by 0.8% to € 169.9 million. Net interest income increased by 3.9% to € 80.8 million, while non-interest income decreased by 4.8% to € 89.0 million. Commission income amounted to € 42.4 million, representing an increase of 10.3%. Financial transactions registered a gain of € 3.7 million, in comparison with the € 1.5 million loss recorded during the first quarter of 2003 which was due to higher volatility in the domestic and the international financial markets. Dividends and other gains totalled € 4.8 million (€ 19.5 million for the period ended 31 March 2003), while other operating income increased from € 37.1 million for the period ended 31 March 2003 to € 38.1 million, mainly as a consequence of the development of finance lease activity.
- Operating costs were € 117.0 million, representing a 0.6% decrease over the equivalent period of the previous year. In particular, administrative charges (€ 84.5 million) registered a 4.3% decrease, due to fall in personnel charges (€ 54.5 million, a decrease of 6.0%) and other administrative costs (€ 30.0 million, a decrease of 1.1%). Writedowns to tangible and intangible fixed assets increased from € 29.5 million for the prior period to € 32.5 million largely due to the expansion in finance lease activity.
- Total direct and indirect funding amounted to € 23,333.4 million, representing an increase of 6.5%, Customer deposits recorded an annual growth of 11% to € 10,374.1 million, which was spurred in particular by an expansion in bonds linked to new issues placed with retail investors (€ 3,923.5 million at 31 March 2004). Indirect funding amounted to € 12,959.3 million, representing an increase of 3.1%; assets under management recorded an increase of 6.6% over the same period of the previous year to € 6,543.2 million; while assets in custody recorded a decrease of 0.2% to € 6,416.1 million.
- Loans to customers recorded an increase of 9.6% to € 9,351.5 million thanks to increased demand in mortgages and leasing.

Selected financial and operating data relating to the Bank

The following tables present selected financial data for the Bank as at and for the years ended 31 December 2001, 2002 and 2003. The annual financial data presented herein is derived from, and should be read in conjunction with, and is qualified in its entirety to the information contained in, the audited financial statements of the Bank as at and for the years then ended and the explanatory notes thereto.

Income statement data	As at 31 December 2001	2002	2003
		(€ in million)	
Italian GAAP			
Net interest income Interest income and similar revenue	609.0	567.0	546.5
Interest expense and similar charges	-300.2	-263.7	-221.8
Net interest income	308.8	303.3	324.7
Non-interest income/expense			
Commission income	144.2	160.7	179.2
Commission expense	-12.0	-12.8	-15.6
Gains from financial transactions, net	3.2	-6.0	9.2
Dividends and other revenues	39.0	87.2	64.0
Other operating income	121.7	123.9	160.7
Other operating expenses	-4.2	-5.8	-7.8
Total non-interest income/expense	291.9	347.2	389.7
Operating costs Administrative costs Personnel	-191.9	-199.4	-235.0
Other administrative expenses	-109.6	-122.4	-131.7
Depreciation and amortisation of intangible and tangible fixed assets	-80.1	-91.1	-123.2
Total operating costs	-381.6	-412.9	-489.9
Operating income	219.1	237.6	224.5
Provisions and adjustments			
Provisions for risks and charges	-2.8	-3.2	-4.0
Adjustments to loans and advances and provisions for guarantees and commitments (provisions for loan losses)	-48.2	-59.7	-66.8
Writebacks of loans and advances and reversal of provisions for guarantees and commitments (recoveries)	5.6	9.9	9.2
Additional provisions for loan losses	-2.4	-13.0	-18.0
Adjustments to financial fixed assets (write-downs)	–	–	–
Writebacks of financial fixed assets (recoveries)	0.3	0.1	0.1
Total provisions and adjustments	-47.5	-65.9	-79.5
Income from ordinary activities	171.6	171.7	145.0
Extraordinary income	15.5	14.6	30.0
Extraordinary expenses	-2.6	-2.6	-7.0
Extraordinary income, net	12.9	12.0	23.0
Income before taxation	184.5	183.7	168.0
Changes in the general banking risks fund	–	–	5.2
Income taxes	-80.9	-78.9	-67.0
Net income	103.6	104.8	106.2
Per share data:			
Net income per share (A in million)	0.102	0.103	0.103
Dividend per ordinary share (A in milion)	0.0723	0.0723	0.0723
Dividend per savings share (A in million)	–	0.0823	0.0923
Average number of shares (million)	1,020.5	1,020.5	1,028.3
– ordinary shares	1,020.5	950.2	886.6
– savings shares	–	70.3	141.7
Dividend to net income	0.713	0.717	0.786

Balance sheet data	As at 31 December 2001	2002	2003
	(€ in million except ratios)		
Assets			
Liquid assets	164.7	173.4	168.1
Loans to customers, net[1]	7,362.5	8,515.3	9,103.2
Interbank loans, net	1,114.9	1,355.7	938.8
Securities portfolio	2,433.3	2,082.4	2,126.6
Other assets	1,760.1	2,267.0	2,316.4
Total assets	12,835.5	14,393.8	14,653.1
Liabilities and shareholders' equity			
Customer deposits	4,863.1	5,912.3	5,957.9
Other amounts due to customers	3,236.3	3,323.9	4,067.5
Interbank liabilities	1,652.0	1,797.3	1,139.6
Other liabilities	1,647.7	1,885.8	1,775.9
Shareholders' equity	1,332.8	1,369.7	1,606.0
Net income	103.6	104.8	106.2
Selected off-balance sheet data			
Asset management	5,671.8	6,075.4	6,585.5
Assets in custody	5,677.1	6,311.4	6,181.6
Financial ratios			
Net interest margin[2]	2.94%	2.64%	2.68%
Non-interest income/total income	48.59%	53.38%	54.55%
Personnel cost/total income	31.95%	30.65%	32.89%
Cost/Income ratio	63.53%	63.47%	68.58%
Net income to average total assets	0.85%	0.77%	0.73%
Net income to average shareholders' equity	7.86%	7.76%	7.64%
Asset quality			
non-performing loans, gross[3]	200.4	235.7	302.5
Allowances for non-performing loans	-89.9	-101.6	-125.1
Non-performing loans, net	110.5	134.1	177.4
Ratio of allowances for non-performing loans to non-performing loans, gross	44.86%	43.11%	41.36%
Ratio of non-performing loans, gross to total customer loans	2.68%	2.73%	3.27%
Total credits at risk[4]	422.5	476.3	558.2
Allowances for credits at risk	119.3	130.5	153.4
Capital adequacy[5]			
Tier I capital	975.5	899.6	1,147.2
Total capital [6]	1,356.9	1,124.2	1,469.1
Capital ratio [5]			
Tier I ratio	11.11%	9.27%	10.85%
Total capital ratio [6]	15.45%	11.58%	13.89%
Shareholders' equity to total assets	10.38%	9.52%	10.96%

Notes:

1. Includes lease financing which is presented in the financial statements as tangible fixed assets.
2. Net interest margin represents net interest income as a percentage of average interest-earning assets.
3. Includes cash credits only and does not include guarantees and commitments.
4. "Credits at Risk" include non-performing loans, defaulted loans (watch list), at risk guarantees and commitments, credits subject to country risk, rescheduled loans and non-performing leasing transactions.
5. The Bank is required to deduct, for the purpose of Capital Ratios measurement, its investment in financial and credit institutions in which it holds more than 10.0% of the share capital. The majority shareholdings in CR Savona and Banca del Monte di Lucca are not deducted because they have been fully consolidated in order to calculate the total capital of the Banca Carige Group. As a result, at 31 December 2000 the Bank's total capital was less than its Tier I capital.
6. At 31 December 2002 and at 31 December 2003, amounts include writedowns to the Bank's participation in its subsidiary, Carige Assicurazioni, as requested by regulators. Excluding this deduction, total capital would rise respectively to € 1,282.6 million at 31 December 2002 and to € 1,647.5 million at 31 December 2003. The total capital adequacy ratio would rise respectively to 13.06% at 31 December 2002 and to 15.58% at 31 December 2003.

The following tables present selected consolidated financial data for the Group at and for the years ended 31 December 2001, 2002 and 2003. The consolidated annual financial data presented herein is derived from, and should be read in conjunction with, and is qualified in its entirety to the information contained in, the audited consolidated financial statements of the Group as at and for the years then ended and the explanatory notes thereto.

	As at 31 December		
Income statement data	**2001**	**2002**	**2003**
		(€ in million)	
Net interest income			
Interest income and similar revenue	683.0	635.0	613.5
Interest expense and similar charges	-324.1	-280.2	-238.3
Net interest income	358.9	354.8	375.2
Non-interest income/expense			
Commission income	166.3	184.2	204.4
Commission expenses	-12.7	-13.7	-16.4
Gains (losses) from financial transactions, net	4.4	-5.8	10.7
Dividends and other revenues	9.3	8.8	18.5
Income (loss) from participations in companies accounted for under the equity method	7.6	8.5	10.0
Other operating income	161.3	157.8	167.5
Other operating expenses	-9.7	-11.1	-9.2
Total non-interest income/expense	326.5	328.7	385.5
Operating costs			
Administrative costs Personnel	-225.8	-232.8	-268.4
Other administrative expenses	-131.4	-141.3	-148.5
Depreciation and amortisation of intangible and tangible fixed assets	-114.9	-123.1	-137.2
Total operating costs	-472.1	-497.2	-554.1
operating income	213.3	186.3	206.6
Provisions and adjustments			
Provisions for risks and charges	-2.9	-3.3	-4.2
Adjustments to loans and advances and provisions for guarantees and commitments (provisions for loan losses)	-50.4	-67.1	-72.6
Writebacks of loans and advances and reversal of provisions for guarantees and commitments (recoveries)	9.7	13.3	11.3
Additional provisions for loan losses	-7.3	-17.3	-19.8
Adjustments to financial fixed assets (writedowns)	-0.1	–	–
Writebacks of financial fixed assets (recoveries)	0.3	0.1	–
Total provisions and adjustments	-50.7	-74.3	-85.3
Income from ordinary activities	162.6	112.0	121.3
Extraordinary income	19.0	23.3	43.1
Extraordinary expenses	-3.6	-6.8	-8.1
Extraordinary income, net	15.4	16.5	35.0
Income before taxation	178.0	128.5	156.3
Changes in the general banking risks fund	–	–	-5.1
Income taxes	-81.0	-60.9	-74.7
Minority interests	-0.9	-1.4	-2.0
Net income	96.1	66.2	84.7

Balance sheet data	As at 31 December 2001	2002	2003
	(€ in million, except ratios)		
Assets			
Liquid assets	186.3	197.2	192.5
Loans to customers, net[1]	8,175.7	9,360.8	10,091.7
Interbank loans, net	1,167.6	1,320.2	918.4
Securities portfolio	2,800.7	2,387.7	2,564.0
Other assets	1,631.5	2,123.0	2,151.7
Total assets	13,961.8	15,388.9	15,918.3
Liabilities and shareholders' equity			
Customer deposits	5,838.1	6,900.8	6,861.2
Other amounts due to customers	3,539.1	3,657.4	4,512.8
Interbank liabilities	1,439.2	1,466.4	1,006.0
Other liabilities	1,773.8	1,992.3	1,949.3
Shareholders' equity	1.275,5	1,305.8	1,504.3
Net income	96.1	66.2	84.7
Selected off-balance sheet data			
Asset management	6,421.6	7,034.0	7,436.7
Assets in custody	6,463.2	7,142.0	6,880.2
Financial ratios			
Net interest margin[(2)]	3.05%	2.81%	2.82%
Non-interest income/total income	47.64%	48.08%	50.69%
Personnel cost/total income	32.94%	34.06%	35.28%
Cost/income ratio	68.89%	72.74%	72.83%
Net income to average total assets	0.72%	0.45%	0.54%
Net income to average shareholders' equity	7.58%	5.13%	6.41%
Asset quality			
Non-performing loans, gross[(3)]	298.8	260.9	328.0
Allowances for non-performing loans	-143.7	-114.4	-137.3
Non-performing loans, net	155.1	146.5	190.7
Ratio of allowances for non-performing loans to non-performing loans, gross	48.09%	43.85%	41.86%
Ratio of non-performing loans, gross to total customer loans	3.58%	2.75%	3.20%
Total credits at risk[(4)]	558.5	535.1	616.0
Allowances for credits at risk	179.3	148.0	170.0
Capital adequacy[(5)]			
Tier I capital	804.3	724.7	969.5
Total capital[(6)]	1,159.5	915.4	1,312.9
Capital ratio[(5)]			
Tier I ratio	8.71%	7.13%	8.61%
Total capital ratio[(6)]	12.56%	9.01%	11.67%
Shareholders' equity to total assets	9.14%	8.83%	9.45%

Notes:

1. Includes lease financing, which is presented in the consolidated financial statements as tangible fixed assets.
2. Net interest margin represents net interest income as a percentage of average interest-earning assets.
3. Includes cash credits only and does not include guarantees and commitments.
4. "Credits at risk" include non-performing loans, defaulted loans, at risk guarantees and commitments, credits subject to country risk, rescheduled loans and non-performing leasing transactions.
5. The Bank is required to deduct, for the purpose of Capital Ratios measurement, its investment in financial and credit institutions in which it holds more than 10.0% of the share capital. The majority shareholdings in CR Savona and Banca del Monte di Lucca are not deducted because they have been fully consolidated in order to calculate the total capital of the Banca Carige Group.
6. At 31 December 2002 and at 31 December 2003, amounts include writedowns to the Bank's participation in its subsidiary, Carige Assicurazioni, as requested by regulators. Excluding this deduction, total capital would rise respectively to € 1,064.6 million at 31 December 2002 and to € 1,481.6 million at 31 December 2003. The total capital adequacy ratio would rise respectively to 10.38% at 31 December 2002 and to 13.16% at 31 December 2003.

Credit Policy, Collection and Recovery Procedures

Credit Policy

Marketing channels

In addition to the traditional branch network which has originated the majority of the Mortgage Loans comprised in the Portfolio, CARIGE introduced, during 2001, the following new marketing channels in order to provide its client with a complete property service:

- insurance agents and financial advisors;
- real estate agents; and
- CARIGE's website.

Underwriting criteria

CARIGE's personnel who are involved in granting residential mortgages are highly qualified individuals who work within CARIGE's regional head offices or offices specialising in mortgage financing.

The main criteria used by CARIGE in granting a residential mortgage are as follows:

- **debt to income ratio:** the amount of the instalments payable under each mortgage loan usually does not exceed 40% of the borrower's total monthly income (net of other debt service). Additional credit can be given in case third parties provide personal or bank guarantees or the borrower grants a pledge over cash or securities in favour of CARIGE;
- **loan to value:** the initial amount of the mortgage loan should not be higher than 80% of the value of the property to be mortgaged; and
- **economic activity of the client:** the client must fall within the category of consumer households (*famiglie consumatrici*) as defined by the Bank of Italy.

Since 2002, the various underwriting criteria are applied via a credit scoring process.

It takes approximately 15 to 20 days to receive approval for the granting of a mortgage loan.

Origination and credit approval

The board of directors of CARIGE delegates the decision making process governing the granting of residential mortgage loans to different lending officers, whose credit approval limits are as set out below:

Lending bodies and officers	Maximum amount
Direttore Centrale	€ 3,750,000
Direttore Adetto/Condirettore Centrale	€ 3,350,000
Direttore Funzionale	€ 2,450,000
Regional Manager *Segreteria Fidi*	€ 1,550,000
Senior Manager of the Mortgage Office[1]	€ 285,000
Senior Branch Manager	€ 285,000
Branch Manager	€ 186,000

1. In case of a non-positive outcome of the credit scoring process.

The decision to grant a mortgage loan is normally made by a branch manager, with the support of a credit scoring mechanism operated from the centralised *Ufficio Controlli*.

All mortgage applications where the outcome of the credit scoring process is not positive will be reviewed by the Mortgage Office (*Ufficio Mutui e Finanziamenti Intermediati*) or, for amounts higher than € 285,000, by the *Direzione Crediti*. If rejected, the request may, in certain cases, be further examined by the relevant *Direttore Funzionale* or higher ranking officer.

Documentation

The following information is requested from individual clients: the client and potential guarantor's total income, civil status, summary extract of marriage certificate (if applicable), other family income and/or residential property and available funds.

The minimum required documentation includes:

- the client's identity card or passport, most recent tax statement, most recent payslip, fiscal code and reference from current employer;
- plans of the property offered as security and any additional parts (cellar, garage etc.), land registry certificate from the *Ufficio Tecnico Erariale* and copy of the current deed of conveyance (in the event of an inheritance, additional documents are also required);
- documentation relating to the property to be mortgaged, including a copy of the preliminary deed of sale and purchase of the property; and
- certificate of insurance policy covering the risk of fire etc. in favour of CARIGE (with an insurance company satisfactory to CARIGE) in an amount at least equal to the value of the mortgaged property.

Property appraisal process

In respect of mortgage loans for the purchase or restoration of residential properties with a value not exceeding Euro 129,114, the valuation of the property to be mortgaged is carried out by the appropriate CARIGE lending body. The property's value may not exceed 150% of the property value recorded in the land registry archives (*valore catastale*). If, however, the relevant lending body is not able to carry out a valuation or if it considers it necessary, the valuation will be carried out by an external appraiser.

In the case of mortgage loans with a value exceeding Euro 129,114, the valuation is carried out by an external appraiser. The name of the relevant appraiser is supplied by the Regional Area Office which will choose from a rotating list of approved appraisers. Upon receipt of the valuation report by the branch office, a review is then carried out to verify that such report contains indications of the intrinsic value of the property (cost of construction and reconstruction), the prudent appraisal value (*valore cauzionale)*, the market value and the method used to calculate such values.

The valuation report must also contain an accurate description of the property, general condition of the property and the features of the local property market.

Insurance Policies

Each property which is being mortgaged must have an insurance policy covering risk of fire, explosion and any other damage caused by fumes, gas, abnormal function of central heating or air conditioning systems in favour of CARIGE and covering an amount at least equal to the appraisal value (*valore di perizia*) of the property. The client must use one of the insurance companies on a list approved by CARIGE.

Furthermore, CARIGE has taken out an "umbrella" insurance policy (*polizza ombrello*) in order to cover the risk of fire, explosion and any other damage caused by fumes, gas, abnormal function of central heating or air conditioning systems with respect to real estate assets not covered by other insurance policies executed by the borrowers due to the failure by the relevant borrowers to pay the insurance policy premiums thereunder.

Collection and recovery procedures

Performing loans

In most cases (100% for the securitised Portfolio) payments of instalments under the mortgage loans are made via direct debit of the current accounts of the mortgagors held with CARIGE.

Management of arrears

CARIGE monitors the payments made by its clients under the mortgage loans on a continuous basis.

Once CARIGE determines that payment has not been made, the Borrower will automatically receive a standard letter. If the unpaid instalment is not settled, the branch will informally contact the Borrower in order to resolve the situation and to obtain knowledge about the client's financial situation.

Classification policies

The classification policies of mortgage loans follow the criteria set by CARIGE from time to time, such criteria also reflecting the relevant provisions issued by the Bank of Italy. CARIGE classifies loans into five categories:

- *in bonis* (loans which are not in arrears);
- *in corso di ristruttuzione* (loans for which negotiations are in progress with the delinquent debtor to transform them into *ristrutturati*);
- *ristrutturati* (loans where an arrangement has been reached with the Borrower to extend the repayment period or to reduce the interest payable below market rate);
- *incagli* (loans where the debtor is experiencing temporary financial difficulties);
- *in sofferenza* (loans where the debtor is in serious and long term difficulty or is insolvent even if not ascertained by a court).

In accordance with the Bank of Italy's relevant provisions a debtor must be classified as *in incaglio* if it is in a temporary objectively difficult situation, which can be predictably overcome in a reasonable timeframe. Classification of a loan as *incaglio* is compulsory if certain criteria defined by the Bank of Italy are met; otherwise the decision is made on a case-by-case basis.

The Bank of Italy's objective criteria for the classification of debtors as *in incaglio* are the following:

1) in respect of mortgage loans (*fondiari*) to individuals, when notice of repossession (*atto di pignoramento*) has been served;

2) in respect of other loans, where both the following characteristics of delinquency are present:

   - missed instalments set against the term of the loan and regularity of payments, as follows:

Frequency of payments	Original loan term (months)	Missed Instalments
Annual	Any	1(1)
Semi-annual	Greater than 36	3
Semi-annual	Less than 36	2
Quarterly	Greater than 36	5
Quarterly	Less than 36	3
Monthly	Greater than 36	7
Monthly	Less than 36	5

(1) after 6 months from expiry of the instalment.

   - overdue payments net of default interest are equal to at least 20% of the amount owed by the debtor.

CARIGE classifies a loan as non-performing (*in sofferenza*) in all cases where the client is:

- in serious and long term economic and financial difficulty;
- insolvent (even if not ascertained by a court); or
- subject to insolvency or liquidation proceedings (*concordato preventivo, amministrazione straordinaria, fallimento* and *liquidazione coatta amministrativa*).

Mortgage loans (*mutui ipotecari*) are classified as *in sofferenza* in all cases where:

- a payment injunction has been served on the debtor; or
- action has been commenced in enforcement proceedings brought by third parties; or
- the Borrower is subject to insolvency proceedings.

The credit recovery department

The Credit Recovery Department (*Ufficio Contenzioso Recupero Crediti*) manages all non-performing loans and is responsible for deciding whether to classify a loan as non-performing. Since 1997, the Credit Recovery Department has been situated within the CARIGE's Credit Area group. It consists of 32 officers, mostly with legal qualifications and is divided into three sections: i) a section consisting of 12 officers who handle mainly the

servicing activities relating to the loans sold by CARIGE to Argo Finance One S.r.l. in December 2000 and to Argo Mortgage S.r.l. in December 2001; ii) another section consisting of 16 officers who deal with all the remaining loans originated by CARIGE; and iii) a section of 4 officers dealing with the loans originated by Cassa di Risparmio di Savona S.p.A. ("**CR Savona**").

Recovery strategies and provisioning policy

Upon classification as *in sofferenza*, the head of the Credit Recovery Department, after a preliminary analysis, assigns the file to the most suited recovery officer. More difficult cases will be assigned to officers with more experience.

The management of files in respect of which no payments have been made for a period of 12 months from the due date of the first unpaid instalment is automatically assigned to the Credit Recovery Department, which will commence all the appropriate legal actions aimed at the recovery of the relevant claim.

Once the file has been assigned, the recovery officer, together with the head of the Credit Recovery Department, carry out an examination of the file and decide on which recovery strategy to follow.

CARIGE assesses the optimal method for recovery of non-performing loans not only by assessing the method most likely to recover the highest proportion of the loan outstanding but also by taking into account the method most likely to provide realisation of proceeds in the shortest timescale.

Once it has been concluded that an out-of-court recovery would not give acceptable results, and therefore it is preferable to commence formal legal proceedings, an external lawyer is instructed. The instructions given by CARIGE to external lawyers are mandatory and external lawyers are not allowed to take any initiative without authorisation by CARIGE. The Credit Recovery Department has an ongoing proven relationship with a number of external lawyers. Monitoring of the various files is continuous, involving the exchange of information and consultations on the best course of action. The lawyers are subject to periodical evaluation and a negative evaluation could lead to the termination of their engagement.

At the same time, information from bank branches or from commercial information agencies with respect to the personal status of the clients (dismissal/employment) or their assets (acquisitions/sales) is reviewed. CARIGE ensures that continuous updates on the mortgaged property ("*visure ipocatastali*") are carried out on a regular basis in order to be aware of any potential problems. The Credit Recovery Department takes action to claw back any property sold in violation of the mortgage loan agreements. The Credit Recovery Department also endeavours to recover monies by taking possession of securities or other movable assets ("*beni mobiliari*") where possible.

CARIGE adopts three types of recovery strategy. The following strategies are often used jointly or separately depending on the relevant circumstances:

- out-of-court recovery: settlement reached with debtors and sureties;
- judicial recovery: forced sales of assets (mainly real estate) if CARIGE is the mortgagor of a property or if there are considerable assets to pursue; and
- enforcement of other security taken to secure the debt, such as charges over securities and syndicated guarantee facilities.

Given that legal proceedings could last several years, it is often in CARIGE's interest to reach an agreement with the debtor. When a debtor proposes a settlement agreement, CARIGE will negotiate with the debtor and evaluate whether to accept or reject such settlement. The decision is made taking into consideration the amount and the duration of the settlement proposed and comparing it with any recovery that could be expected through legal action.

The following table sets out the bodies within CARIGE that are authorised to make decisions as to settlements (in terms of loss amount compared to the relevant net balance).

Maximum loss (Euro)	Competent body/officer
2,500	Officer of Credit Recovery Department
13,000	Head of Securitised Loans Credit Recovery Department
26,000	Head of Credit Recovery Department
77,000	Deputy General Manager- Commercial
180,000	General Manager Above
180,000	Executive Committee

The average duration of foreclosure proceedings from the date of the court order or payment injunction to the final sharing out is between six and seven years. In the medium-sized central and northern Italian cities (such as Genoa, Florence, Padua, Treviso), such period can be significantly less whereas in major cities and in southern Italy, the length of the procedure can significantly exceed the average. In the Liguria region, the duration of foreclosure proceedings has been significantly reduced by the enactment of Law No. 302 of 3 August 1998. See further "*Selected Aspects of Italian Law relevant to the Securitisation*".

Internally, CARIGE distinguishes loss registrations, which are made upon the closure of the file, from write-offs, which take place while the file is still open. Loss registrations can therefore take place upon conclusion of insolvency proceedings or individual enforcement proceedings; or at the moment of execution of settlement agreements with the debtor and/or sureties. Write-offs, on the other hand, can take place after the commencement of insolvency proceedings or when evaluations based on objective economic and financial data relative to the assets lead to a forecast of a certain loss on the debt.

The evaluation of each position is reviewed and updated every time an event occurs which may affect the recovery expectations of the debt and in any case every six months at the time of the preparation of the interim financial statements and the annual financial statements of CARIGE.

A file is closed when either: (a) an out-of-court settlement is reached; or (b) the pledged assets or the mortgage property are sold and the proceeds assigned to creditors; or (c) the debt is entirely repaid; or (d) after insolvency proceedings, sums collected are distributed among the creditors; or (e) after all strategies of collection have been attempted, there are no further chances of recovery.

The Issuer

Introduction

The Issuer, Argo Mortgage 2 S.r.l., was incorporated on 20 April 2004 in the Republic of Italy pursuant to the Securitisation Law as a limited liability company and is registered in the Register of Companies of Genoa under registration number 01468350994; in the register held by *Ufficio Italiano Cambi* pursuant to Article 106 of the Consolidated Banking Act under number 35604 and in the special section of the register held by the Bank of Italy pursuant to Article 107 of the Consolidated Banking Act.

Since the date of its incorporation, the Issuer has not engaged in any business other than the purchase of the Portfolio, no dividends have been declared or paid and no indebtedness, other than the Issuer's costs and expenses of incorporation and the Purchase Price of the Portfolio and interest thereon, has been incurred by the Issuer. The Issuer has no employees.

The Issuer is a limited liability company (*società a responsabilità limitata*) and its equity capital is represented by quotas. The authorised, issued and fully paid in equity capital of the Issuer is Euro 10,000 divided as follows:

- Columbus CARIGE Immobiliare S.p.A. ("**Columbus**") holds a quota with a nominal value of Euro 500;
- Stichting Faro (together with Columbus, the "**Quotaholders**") holds a quota with a nominal value of Euro 9,500.

On or about the Issue Date, the Quotaholders, the Representative of the Noteholders and the Issuer has entered into the Quotaholders' Agreement pursuant to which, *inter alia*, certain rules have been set forth in relation to the corporate management of the Issuer.

Issuer principal activities

The principal corporate objects of the Issuer, as set out in Article 2 of its by-laws (*statuto*), are to acquire monetary claims for the purposes of securitisation transactions.

The Issuer will covenant to observe, *inter alia*, those restrictions which are detailed in Condition 4 (*Covenants*). In particular, so long as any of the Notes remain outstanding, the Issuer shall not, without the consent of the Representative of the Noteholders, incur any other indebtedness for borrowed moneys or engage in any business (other than acquiring and holding the Receivables and any other assets on which the Notes are secured, issuing the Notes and entering into the Transaction Documents to which it is a party), pay any dividends, repay or otherwise return any equity capital, have any subsidiaries, employees or premises, consolidate or merge with any other person or convey or transfer its property or assets to any person (except as contemplated in the Transaction Documents) or issue any *quota*.

Directors of the Issuer

At the date of this Offering Circular, the sole director of the Issuer, appointed pursuant to the deed of incorporation, is Achille Tori. Under the terms of the Quoteholders' Agreement, the Quoteholders have undertaken to appoint a board of directors to be comprised of three directors before the First Payment Date.

The Issuer's registered office is located at Via Cassa di Risparmio, No. 15, Genoa, Italy.

Statutory auditors

The Statutory auditors of the Issuer are: Costigliolo Angelo (Chairman of the Board of Statutory Auditors), Giribaldi Fabrizia and Vignali Ivo Alvaro.

The statutory auditors were appointed on 20 April 2004.

Capitalisation and Indebtedness Statement

The capitalisation of the Issuer as at the date of this Offering Circular, adjusted for the issue of the Notes being issued on the Issue Date, is as follows:

Quota capital

A quota capital of Euro 10,000 (fully paid up) ..... Euro 10,000

Loan capital

Euro 808,300,000 Class A Residential Mortgage Backed Floating Rate Notes due October 2043	Euro 808,300,000
Euro 26,800,000 Class B Residential Mortgage Backed Floating Rate Notes due October 2043	Euro 26,800,000
Euro 29,350,000 Class C Residential Mortgage Backed Floating Rate Notes due October 2043	Euro 29,350,000
Subordinated Loan	Euro 22,753,000
Total loan capital	Euro 887,203,000
Total capitalisation and indebtedness	Euro 887,213,000

Save for the foregoing, at the date of this document, the Issuer has no other borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

Financial statements and report of the auditors

The financial statements prepared by the Issuer as at 30 June 2004 and the text of a report received by the quotaholders of the Issuer from KPMG S.p.A., the auditors to the Issuer, are set out below. The Issuer's accounting reference date is 31 December, with the first statutory accounts to be drawn up to 31 December 2004. Under Italian law and the Issuer's by-laws, the statutory accounts are to be prepared by the Issuer within four months following the financial year end.

Financial Statements as at 30 June 2004

Assets	**Euro**
Cash at bank	9,974
Capitalised costs	3,863
Other Assets	3,415
Total Assets	17,252
Liabilities and Quotaholders' Equity	
Quota capital	10,000
Other liabilities	7,252
Total Liabilities and Quoterholders' Equity	17,252

Notes to the Financial Statement:

1. *Basis of Preparation*

   The financial statement have been prepared under the historical cost convention and in accordance with the applicable accounting standards.

2. *Quota Capital*

   The Issuer was incorporated on 20 April 2004 in the Republic of Italy pursuant to the Securitisation Law as a limited liability company having as its sole corporate object the realisation of securutisation transactions. The Issuer has an issued quota capital of Euro 10,000.

3. *Commitments*

   On 25 June 2004 the Issuer has entered into an agreement to purchase the Portfolio. See "*Description of the Transfer Agreement*".

4. *Business Activity*

   Since the date of its incorporation, the Issuer has not engaged in any business activity other than the purchase of the Portfolio, no dividends have been declared or paid and no indebtedness, other than the Issuerr's costs and expenses of incorporation, has been incured by the Issuer.

Auditors' Report

The following is the text of a report received by the quotaholders of the Issuer from KPMG S.p.A., the auditors to the Issuer. The Issuer's accounting reference date is 31 December, with the first statutory accounts to be drawn up to 31 December 2004.

(T**ranslation from the Italian original which remains the definitive version).**

Report of the auditors

To the quotaholders of Argo Mortgage 2 S.r.l.

1. We have audited the interim financial statements of Argo Mortgage 2 S.r.l. the "Issuer" for the period from 20 April at 30 June 2004. These interim financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Italian Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion, the financial statements of the "Issuer" 2 S.r.l. for the period from 20 April at 30 June 2004 comply with the Italian regulations governing their preparation; therefore they are clearly stated and give a true and fair view of the financial position and results of the "Issuer".

Genoa, 19 July 2004

KPMG S.p.A.

(Signed on the original)

Michele Petino

Director of Audit

KPMG S.p.A. has not been requested to accept responsibility for any financial or other information contained in this Offering Circular aside from the information referenced in the report of the Auditors above and, accordingly, accepts no responsibility to any person who may rely on this Offering Circular.

Use of Proceeds

Funds available to the Issuer on the Issue Date consisting of:

(a) the net proceeds arising out of the subscription of the Notes, being Euro 864,190,665; and

(b) the Subordinated Loan provided by the Subordinated Loan Provider, being Euro 22,753,000

will be applied by the Issuer on the Issue Date: (i) to pay the Initial Purchase Price to the Originator pursuant to the Transfer Agreement; (ii) to credit the Initial Cash Collateral Amount to the AM2 Cash Collateral Account; (iii) to credit the AM2 Expenses Account with the Initial Disbursement Amount; (iv) to credit the AM2 Quota Capital Account with an amount to bring the balance of such Account to Euro 10,000; and (v) to pay the Closing Costs.

Description of the Transfer Agreement

The description of the Transfer Agreement set out below is a summary of certain features of that agreement and is qualified by reference to the detailed provisions of the Transfer Agreement. Prospective Noteholders may inspect a copy of the Transfer Agreement upon request at the registered office of each of the Representative of the Noteholders and the Luxembourg Agent.

On 25 June 2004, the Originator and the Issuer entered into the Transfer Agreement, pursuant to which the Originator assigned and transferred without recourse (*pro soluto*) all the Originator's rights, title and interest in and to the Receivables arising under the Mortgage Loan Agreements comprised in the Portfolio in accordance with the Securitisation Law. Exhibit "B" to the Transfer Agreement contains a list of the Receivables.

The economic effects of the transfer of the Receivables from the Originator to the Issuer became effective on 30 June 2004 (the "**Effective Date**"). Pursuant to the terms of the Transfer Agreement, the Originator assigns and transfers to the Issuer, *pro soluto* pursuant to the combined provisions of Article 1 and 4 of the Securitisation Law, the Receivables which comply with the criteria described below, together with, *inter alia*:

(a) all the rights in relation to all outstanding principal amounts under the Mortgage Loans as of the Effective Date;

(b) all the rights in relation to interest (including default interest) which will accrue on the Mortgage Loans from the Effective Date;

(c) all the rights accrued up to the Effective Date and which will accrue from the Effective Date, in relation to any other amount due to the Originator in relation to or in connection with the Mortgage Loan Agreements and any Guarantees and Insurance Policies connected thereto, including the right to recover legal and judicial expenses (if any) and other expenses incurred in relation to the recovery of the Receivables,

together with all Mortgages and Collateral Security (including any pledge and guarantees (*fideiussioni omnibus*), to the extent that the amounts deriving from their enforcement are to be paid to the Issuer pursuant to the criteria for the application of any such amounts as specified in the Collection Policy), and privileges and priority rights and other ancillary rights (*accessori*) pertaining thereto, as well as any other right, claim and action (including any action for damages), substantial and procedural action and defences inherent or otherwise ancillary to such rights and claims and to the exercise thereof in accordance with the provisions of the Mortgage Loan Agreements and/or pursuant to the applicable law, including, but not limited to, the contractual right of termination for breach of contract (*diritto di risoluzione contrattuale per inadempimento*) or other reasons and the right to accelerate the obligations of the Debtors (*diritto di dichiarare i debitori decaduti dal beneficio del termine*), as well as any other rights of the Originator in relation to any Insurance Policies in relation to the Receivables, the Mortgage Loan Agreements and the Real Estate Assets.

The aggregate purchase price for the Portfolio comprises: (i) the Initial Purchase Price; and (b) the Deferred Purchase Price.

The Initial Purchase Price of the Portfolio is equal to Euro 864,518,384.35, being the sum of the outstanding principal balance of all Receivables comprised in the Portfolio (the "**Individual Purchase Price**") as of the Effective Date.

Interest will accrue on the Initial Purchase Price from the Effective Date to the date of payment at three month Euribor (the "**Interest on the Purchase Price**").

The Initial Purchase Price shall be paid on the Issue Date out of proceeds from the issue of the Notes, while the Interest on the Purchase Price will be paid on the First Payment Date out of the Issuer Available Funds in accordance with the Order of Priority (or, if there are not sufficient funds on the First Payment Date, on successive Payment Date(s)).

The Deferred Purchase Price (if any) will be paid by the Issuer on each Payment Date out of the Issuer Available Funds in accordance with the Order of Priority and, in relation to any Payment Date, is an amount (if positive) equal to:

(a) all interest accrued in respect of the Portfolio during the Collection Period immediately preceding such Payment Date (except for the Excluded Collections); *plus*

(b) any other amount (other than Principal Instalments) deriving from the Mortgage Loan Agreements (including, but not limited to, penalties for prepayment, if any) received during the Collection Period immediately preceding such Payment Date; *plus*

(c) default interest (if any) accrued on the Portfolio during the Collection Period immediately preceding such Payment Date; *plus*

(d) any interest accrued on the Accounts in the Collection Period immediately preceding such Payment Date; *plus*

(e) any profit (including capital gain, if any) generated by or interest accrued on the Eligible Investments deriving from investment of funds standing to the credit of the AM2 Investment Account, the AM2 Principal Accumulation Account and the AM2 Cash Collateral Account in the Collection Period immediately preceding such Payment Date; *plus*

(f) all amounts (other than Principal Instalments) received by the Issuer from the Originator pursuant to the Transfer Agreement during the Collection Period immediately preceding such Payment Date; *plus*

(g) all amounts paid to the Issuer on the Swap Payment Date immediately preceding such Payment Date under the terms of the Swap Agreement; *plus*

(h) all capital gains made from the sale, during the Collection Period immediately preceding such Payment Date, of the Receivables; *plus*

(i) any other amount not deriving from the Receivables and which are not included in the foregoing items (a), (b), (c), (d), (e), (f), (g) and (h) received by the Issuer during the Collection Period immediately preceding such Payment Date; *less*

(j) all costs, expenses, taxes and other charges which become payable by or accrued to the Issuer under items (i) to (vii) (inclusive) of the Pre-Enforcement Order of Priority or, as the case may be, items (i), (ii), (iii), (iv), (v), (vi) and (xv) of the Post Enforcement Order of Priority; *less*

(k) the Interest Amounts on the Notes in respect of the Interest Period ending on (but excluding) such Payment Date; *less*

(l) all amounts payable to the Swap Counterparty on such Payment Date; *less*

(m) all amounts to be paid by the Issuer to the Originator pursuant to the Transfer Agreement during the Collection Period immediately preceding such Payment Date; *less*

(n) the capital loss (if any) made from the Eligible Investments deriving from investment of funds standing to the credit of the AM2 Investment Account, the AM2 Principal Accumulation Account and the AM2 Cash Collateral Account during the Collection Period immediately preceding such Payment Date; *less*

(o) any loss incurred, or expected to be incurred, in respect of the Receivables during the Collection Period immediately preceding such Payment Date;

The Receivables have been accurately selected by the Originator on the basis of certain objective criteria so to ensure that such Receivables constitute an homogeneous group of claims in accordance with Articles 1 and 4 of the Securitisation Law. All the Receivables comply, as of 30 June 2004, with the following criteria which are set out in Exhibit "A" to the Transfer Agreement (the "**Criteria**"):

(a) derive from Mortgage Loan Agreements concluded by CARIGE, by ICFL (before its merger with CARIGE in 1994) or by branches of Cassa di Risparmio di Parma e Piacenza S.p.A., Banca Intesa S.p.A., Banco di Sicilia S.p.A. and BIPOP CARIRE S.p.A. (purchased by CARIGE before 31 December 2003), and that fulfil the requirements of the *Istruzioni di Vigilanza* issued by the Bank of Italy in order to be qualified as residential mortgage loans (*mutui fondiari residenziali*);

(b) derive from Mortgage Loan Agreements in respect of which the Borrower or, in the event of a subdivision of the Mortgage Loan, the persons assuming the relevant obligations (*accollante*) are private individuals;

(c) derive from Mortgage Loan Agreements granted before 31 December 2003 (inclusive);

(d) derive from Mortgage Loan Agreements with at least one Instalment due and payable after 31 December 2004;

(e) derive from Mortgage Loan Agreements in respect of which the loan amount has been fully disbursed by CARIGE;

(f) derive from Mortgage Loans the original principal amount of each of which is equal or less than 80% (eighty per cent.) of the appraisal value (*valore di stima*) of the relevant Real Estate Asset at the time the relevant Mortgage Loan was granted, or the cost of the works to be made on the relevant Real Estate

Asset, including the cost of the area on which such Real Estate Asset has to be constructed or the value of the Real Estate Asset on which the works are to be made;

(g) are secured by first ranking priority Mortgages or by a subsequent ranking priority Mortgage granted on fully constructed residential Real Estate Assets located in Italy, provided that in the case of Receivables not secured by a first ranking priority Mortgage (a) the mortgage loan(s) secured by the prior ranking priority mortgage has/have been completely redeemed or (b) the outstanding principal amount of the mortgage loan(s) secured by the prior ranking priority mortgage(s), together with the principal amount of the Mortgage Loan granted by CARIGE, does not exceed 80 per cent of the value of the relevant Real Estate Asset;

(h) derive from fixed interest rate Mortgage Loan Agreements, floating rate Mortgage Loan Agreements, floating rate Mortgage Loan Agreements with a fixed cap, Mortgage Loan Agreements having a fixed interest rate for the first two years and then a floating rate;

(i) are denominated and payable in Euro;

(j) derive from Mortgage Loan Agreements executed by CARIGE in respect of which there are no late payments;

(k) derive from Mortgage Loan Agreements in respect of which the Debtors have not exercised the right of advance full repayment;

(l) derive from Mortgage Loan Agreements in respect of which any delay in payment during the period, for those Mortgage Loan Agreements granted by a branch of Cassa di Risparmio di Parma e Piacenza S.p.A., Banca Intesa S.p.A., Banco di Sicilia S.p.A. and BIPOP CARIRE S.p.A. that were purchased by CARIGE before 31 December 2003, from 30 April 2002 to 30 June 2004, or –for those Mortgage Loan Agreements granted by a branch of BIPOP CARIRE S.p.A. and Banco di Sicilia S.p.A. that were purchased by CARIGE on 31 December 2002, from 31 December 2002 to 30 June 2004, did not exceed 5 days and the amount of the late payment did not exceed Euro 50;

(m) derive from Mortgage Loan Agreements which were not classified as delinquent (*incagliati*) or non-performing (*in sofferenza*), during the period from 31 December 1994 (included) to 30 June 2004 (included);

(n) derive from Mortgage Loan Agreements under which the Instalments are paid by debiting bank accounts held with CARIGE or a branch of CARIGE;

(o) derive from Mortgage Loan Agreements in respect of which at least one principal Instalment has been paid,

but excluding those Receivables:

(a) deriving from mortgage loan agreements granted pursuant to any law or regulation that provides for any form of benefit, discount or reduction in respect of principal or interest in favour of the borrowers, the mortgagors or the obligors (if any);

(b) deriving from mortgage loan agreements with employees of CARIGE, Carige Vita or the former ICFL;

(c) previously assigned and transferred in the context of securitisation transactions pursuant to the Securitisation Law;

(d) deriving from mortgage loan agreements granted to any person with further contractual relations with CARIGE which have been transferred to other banks as a result of the transfer of the following branches of CARIGE: branch no. 214 (Albissola), branch no. 215 (Andora) and branch no. 217 (Celle Ligure);

(e) deriving from mortgage loan agreements granted for the repayment of previous unsecured or secured exposures not classified as delinquent (*incagliati*) or non-performing (*in sofferenza*); or

(f) deriving from floating rate mortgage loan agreements that are referenced to RENDIOB.

In addition, the Transfer Agreement provides that if, after the Effective Date, it transpires that any of the Receivables do not meet the Criteria, then they will be deemed not to have been assigned and transferred to the Issuer pursuant to the Transfer Agreement. If, after the Effective Date, it transpires that any Receivable which meets the Criteria has not been included in the Portfolio, then such Receivable shall be deemed to have been assigned and transferred to the Issuer by the Originator on the Effective Date.

In these two cases, the Initial Purchase Price shall be adjusted accordingly. In particular, where a receivable that did not satisfy the Criteria was erroneously transferred to the Issuer, the Originator shall pay to the Issuer an

amount equal to (a) the Individual Purchase Price of the receivable plus interests accrued on such receivable pursuant to the relevant mortgage loan agreement from the Effective Date to the date on which such amount is paid; *less* (b) all amounts collected in relation to such receivable from the Effective Date to the date on which the amount set forth under item (a) is paid (such amounts being definitively acquired by the Issuer); *plus* (c) expenses borne by the Issuer in relation to the relevant receivable plus interests accrued thereon at an interest rate equal to the average of the interest rates applicable from time to time to the amounts standing to the balance of the AM2 Collection Account from the Effective Date to the date on which the amount set forth under item (a) is paid, from the date on which such expenses have been incurred to the date on which the amount set forth under item (a) is paid.

If a Receivable which satisfied the Criteria was erroneously not transferred to the Issuer, the Issuer shall pay the Originator an amount equal to (a) the Individual Purchase Price of the Receivable plus interests accrued thereon at interest rate equal to the average of the interest rates applicable from time to time to the amounts credited on the AM2 Collection Account from the Effective Date to the date on which such amount is paid; *less* (b) all amounts collected in relation to such Receivable from the Effective Date (such amounts being definitively acquired by the Originator) plus interest accrued thereon at an interest rate equal to the average of the interest rates applicable from time to time to the amounts standing to the balance of the AM2 Collection Account from the Effective Date to the date on which the amount set forth under item (a) is paid, from the date on which such amounts have been collected to the date on which the amount set forth under item (a) is paid.

Pursuant to the terms of the Transfer Agreement, CARIGE has given certain representations and warranties in respect of the following categories:

(i) Mortgage Loan Agreements,

(ii) Receivables,

(iii) Mortgages and Collateral Security;

(iv) Real Estate Assets;

(v) Insurance Policies;

(vi) disclosure of information and general warranties;

(vii) the Securitisation Law; and

(viii) miscellaneous.

The Originator has given, *inter alia*, the following representations and warranties as of the Valuation Date:

(a) Each Mortgage Loan Agreement is valid, binding and enforceable and constitutes valid, binding and effective obligations of each party thereto (including the relevant Debtor(s) and/or the Mortgagor(s)) and enforceable against any insolvency receiver of the Debtor and/or Mortgagor in accordance with its terms.

(b) The Mortgage Loan Agreements were executed as public deeds (*atti pubblici*) before a notary or as notarised private agreements (*scrittura privata autenticata*).

(c) Each Mortgage Loan Agreement has been entered into, executed and performed and the advances thereunder have been made in compliance with all applicable laws, rules and regulations, including, without limitation, all laws, rules and regulations relating to banking activity, *credito fondiario*, usury and personal data protection provisions in force at the time, as well as (with the exception of those Mortgage Loan Agreements originated by certain branches of Cassa di Risparmio di Parma e Piacenza S.p.A., Banca Intesa S.p.A., Banco di Sicilia S.p.A. and BIPOP CARIRE S.p.A. before the purchase of these branches by CARIGE) in compliance with the internal procedures from time to time adopted by the Originator.

(d) There is no obligation on the part of the Originator to advance or disburse any further amounts in connection with the Mortgage Loans.

(e) The Mortgage Loan Agreements were entered into and executed without any fraud (*frode*) or wilful misconduct (*dolo*) or undue influence by or on behalf of the granting bank or any of its directors (*amministratori*), managers (*dirigenti*), officers (*funzionari*) and /or employees (*impiegati*), so that the relevant Debtor (s), Mortgagor(s) and/or other Obligor(s) (if any) would not have any right to claim against the originating bank for fraud (*frode*) or wilful misconduct (*dolo*) or to repudiate any of the obligations under or in respect of such Mortgage Loan Agreements.

(f) No Mortgage Loan Agreement has been concluded and no amount has been disbursed in respect of any Receivable pursuant to any state, regional, local entity or EU law or regulation that provides for any form of benefit, discount or reduction in respect of the repayment of principal or the payment of interest or any other form of benefit in favour of the Debtors, the Mortgagors or the Obligors (if any).

(g) The amount disbursed under each Mortgage Loan is equal or less than 80% (eighty per cent.) of (i) the appraisal value (*valore di stima*) of the relevant Real Estate Asset at the time the relevant Mortgage Loan was granted, or (ii) the cost of the works to be made on the relevant Real Estate Asset, including the cost of the area on which such Real Estate Asset has to be constructed or the value of the Real Estate Asset on which the works are to be made.

(h) Each Mortgage Loan was granted on the basis of a valuation of the Real Estate Asset completed prior to the approval of such Mortgage Loan by an officer of the Originator responsible for the granting of the relevant Mortgage Loan or a qualified internal appraiser of the originating bank or an external appraiser who has had, at all times, no direct or indirect interest in the Real Estate Asset or in the Mortgage Loan Agreement in question and whose fee was not related in any manner to the approval of such Mortgage Loan Agreement.

(i) The above mentioned valuation was carried out without any fraud (*frode*) or wilful misconduct (dolo) or undue influence by or on behalf of the originating bank.

(j) The Receivables are valid and existing in the amounts set out in Exhibit "B" of the Transfer Agreement, such amounts representing, *inter alia*, the principal amount under each Receivable as of the Effective Date.

(k) Each Receivable is fully, exclusively and unconditionally owned by and available to the Originator and is not subject to any lien (*pignoramento*), seizure (*sequestro*), pledge (*pegno*) or other encumbrance or right in favour of any third party.

(l) As of the Valuation Date, none of the Receivables had any Delinquent Instalment and all the Receivables were classified as "performing" in accordance with applicable regulations. To the best of knowledge of the Originator, no circumstances have arisen which suggest that there would be a delay in payment of sums due under the Receivables in the immediate future.

(m) As of the Valuation Date, all repayments of principal and all payments of interest and any other amount in relation to the Receivables due by the Debtors under the Mortgage Loan Agreements originated by CARIGE and ICFL have been duly paid and every obligation connected thereto has been properly performed.

(n) None of the Receivables have previously been classified in accordance with the relevant provisions of the Bank of Italy as non-performing loans (*in sofferenza*), delinquent loans (*incagliato*), restructured loans (*ristrutturato*) or loans undergoing restructuring (*in corso di ristrutturazione*).

(o) No foreclosure proceedings and/or insolvency proceedings are pending against any Debtor or Mortgagor and, to the best of the Originator's knowledge, no similar proceedings in relation to the Receivables are threatened against any Debtor or Mortgagor.

(p) Each Receivable is denominated in Euro.

(q) Each Mortgage has been duly granted, created, renewed and maintained, is valid, effective and enforceable against third parties (including any receiver of the Debtor and/or Mortgagor) and meets all requirements under all applicable laws or regulations and is not affected by any material defect whatsoever.

(r) The "hardening" period (*periodo di consolidamento*) applicable to each Mortgage has expired.

(s) Each Mortgage is granted for an amount which is at least twice the initial principal amount of the relevant Mortgage Loan.

(t) Each Mortgage is (i) a first ranking priority mortgage (*ipoteca di primo grado*); or (ii) a subsequent ranking priority mortgage (*ipoteca di grado successivo*) where the obligations secured by the mortgage(s) ranking prior thereto have been fully satisfied; or (iii) a subsequent ranking priority mortgage (*ipoteca di secondo grado*) provided that (a) the principal amount of such Mortgage Loan, together with the outstanding principal amount(s) of the mortgage loan(s) secured by prior ranking priority mortgage(s) over the same Real Estate Asset, does not exceed 80 per cent. of the value of such Real Estate Asset, and (b) the Receivables secured by the mortgage(s) ranking prior have been transferred to the Issuer.

(u) The Originator has not (in whole or in part) cancelled, released or reduced, or consented to cancel, release or reduce, any of the Mortgages except (i) upon request by the relevant Debtor or Mortgagor in circumstances where such cancellation, release or reduction was required by then applicable law or by provisions contained in the relevant Mortgage Loan Agreement; or (ii) to the extent that such cancellation, release or reduction was in accordance with then prudent banking practice in Italy and the residual principal amount of the relevant Mortgage Loan Agreement does not exceed the limits imposed by laws and regulations on *credito fondiario* in respect of the appraisal value (*valore di perizia*) of the related Real Estate Asset in order for the Mortgage Loan to qualify as a *mutuo fondiario*.

(v) No Mortgage Loan Agreement contains provisions that permit the relevant Debtor (s) and/or Mortgagor(s) to effect any cancellation, release or reduction of the relevant Mortgage, except and to the extent imposed by law or in circumstances described under (u)(ii) above.

(w) Each Collateral Security is valid and effective and has been duly granted and meets all requirements under all applicable laws and regulations.

(x) The Receivables are not secured by any collateral security that does not form part of the Collateral Security or that has not been assigned to the Issuer pursuant to the Transfer Agreement.

(y) Each Real Estate Asset was, at the time the relative Mortgage was created or, if later, when the Mortgage Loan was advanced, duly owned by the relevant Mortgagor.

(z) The Originator has not received any notice of petitory claims or claims for adverse possession (including *usucapione*) in respect of any of the Real Estate Assets and, to the Originator's knowledge, nor are there any prejudicial registrations or annotations or third party claims in relation to any of the Real Estate Assets which may prejudice or jeopardise in any manner the relevant Mortgages, their enforceability and/or their ranking in respect of that represented and warranted by the Originator.

(aa) At the time of the advance(s) under the Mortgage Loan Agreements and perfection of the Mortgages, the relevant Real Estate Assets were duly registered with the competent land registries (*Conservatorie dei Registri Immobiliari*), or an application had been duly submitted for their registration, in compliance with all applicable laws and regulations.

(bb) The Real Estate Assets comply with all applicable Italian laws and regulation concerning health and safety and environmental protection. As of the Valuation Date, the Originator has no knowledge of any hazardous or polluting materials (as defined pursuant to any applicable legislation on safety and environmental protection) in respect of any of the Real Estate Assets, or of any Real Estate Asset not being in compliance with the above applicable laws and regulations.

(cc) Each Real Estate Asset is a fully constructed residential Real Estate Asset located in Italy.

(dd) The risks of fire and explosion and any other damage caused by fumes, gas leakage, abnormal function of central heating or air conditioning systems in relation to the Real Estate Assets are covered by Insurance Policies executed by the Debtors and held for the benefit of the Originator and by the Umbrella Policy. Such policies are valid and effective pursuant to the terms and conditions set out therein.

(ee) The Originator is the beneficiary of the Insurance Policies concluded by the Debtors in respect of the Real Estate Assets. The assignment by the Originator to the Issuer of the rights in favour of the Originator under such Insurance Policies and the Umbrella Policy does not affect in any manner whatsoever the validity of the Insurance Policies and/or such rights.

(ff) The Insurance Policies concluded by the Debtors cover the Real Estate Assets for an amount at least equal to the appraisal value (*valore di perizia*) of such Real Estate Assets.

(gg) The Umbrella Policy cover the risks of damage or destruction of the Real Estate Assets which are not covered by the Insurance Policies entered into by the Debtors, for an amount at least equal to the principal amount due under the relevant Mortgage Loan and interest thereon.

(hh) All the amount due in respect of the Insurance Policies have been entirely and regularly paid and all obligations to report incidents have been correctly and timely performed.

(ii) Up to the Valuation Date, the Originator has neither discharged any Debtor from its obligations nor subordinated its rights to the claims of any other creditor, except in relation to payments made in a corresponding amount in satisfaction of the relevant Receivables or except and to the extent that this is in accordance with prudent banking practice in order to safeguard the position of the Originator as owner of the relevant Receivables.

(jj) The books, records, data and documentation relating to the Mortgage Loan Agreements, the Receivables, the Mortgages, the Collateral Securities, including documents in relation to the relevant payments have been regularly maintained and are in all respects complete and up to date, and all such books, records, data and documentation are kept by the Originator.

(kk) All information supplied by the Originator to the Issuer and/or its agents and consultants for the purpose of or in connection with the Transfer Agreement and/or for the purpose of or in relation to the Securitisation, in relation to the Mortgage Loan Agreements, the Receivables, the Mortgages, the Real Estate Assets, the Collateral Security and the application of the Criteria, is true and accurate in every material respect and no information in the possession of the Originator which is material for the purpose of the Securitisation has been omitted.

(ll) The Receivables have been transferred to the Issuer in compliance with the Securitisation Law.

(mm) The Originator has selected the Receivables pursuant to the Criteria so that they possess specific objective common elements such as to constitute a portfolio of homogenous monetary rights within the meaning and for the purposes of the Securitisation Law. The Criteria have been correctly applied by the Originator in the identification of the Receivables and (i) there do not exist any other receivables owned by the Originator which meet the Criteria and accordingly, should have been included in Exhibit "B" but have been excluded therefrom; (ii) there do not exist any receivables listed in Exhibit "B" to the Transfer Agreement which do not meet the Criteria and whose subsequent exclusion could prejudice the Securitisation; provided however that if, as a result of the exclusion of any receivables from the Portfolio pursuant to the Transfer Agreement, the Issuer Available Funds would be insufficient to pay interests accrued on the Notes to (and including) the Payment Date on which the Issuer can apply the amounts received from CARIGE pursuant to the Transfer Agreement in respect of the relevant receivables towards repayment of principal under the Notes, CARIGE irrevocably undertakes to indemnify the Issuer for an amount equal to the difference between the aforementioned amount and the amount the Issuer would have received if the relevant receivables satisfied the Criteria.

The representations and warranties given by the Originator pursuant to Clause 6.2 of the Transfer Agreement shall be deemed to be repeated and confirmed by the Originator as of the Effective Date and the Issue Date.

The Transfer Agreement provides that the representations and warranties given by the Originator pursuant to Clause 6 thereunder and the Originator's indemnity obligations pursuant to Clause 7 thereunder shall remain valid and effective until the Final Maturity Date and, for the avoidance of doubt, any claim for indemnity submitted prior to the expiry of such period shall remain valid until such claim is settled and paid in full.

Pursuant to Clause 7.1 of the Transfer Agreement, the Originator will indemnify and hold harmless the Issuer from and against any and all damages, losses, claims, liabilities, costs and expenses awarded against or incurred by the Issuer (including, but not limited to, legal fees and disbursements including any value added tax) arising from (a) the breach by the Originator of any provisions contained in the Transfer Agreement, including the obligation to maintain the Umbrella Policy; (b) any representations and/or warranties made by the Originator thereunder being false or incorrect; (c) failure to collect or recover the Receivables as a consequence of action or counterclaims or claims for set-off brought against the Originator by a Debtor and/or Mortgagor and/or Obligor (if any) and/or the receiver of the Debtor or Mortgagor or Obligor (if any), as the case may be.

The Issuer shall submit to the Originator any claim for indemnity in writing, stating the grounds for such claim and the Originator may, within 20 Business Days from the receipt of such claim, submit any objection thereto and in the absence of any objection, the amount claimed by the Issuer shall be deemed accepted by the Originator. If the objection by the Originator is not resolved within 30 Business Days and, (a) if it relates to a question of fact or quantification of the claim, the parties may appoint an internationally recognised accounting firm (the "**Expert**") which shall determine the amount of damages, losses, claims, liabilities, costs and expenses due to the Issuer under Clause 7.1 of the Transfer Agreement and its determination shall be final and binding on the parties. If the parties fail to agree on the choice of the Expert, such expert shall be appointed by the chairman of the Italian Banking Association (*Associazione Bancaria Italiana*) at the parties' request; or (b) if the objection regards a question of law or if the parties fail to agree on the nature of the objection, either party may submit the matter for arbitration.

Clause 7.5 of the Transfer Agreement furthermore provides that, in the event that an action, counterclaim or claim for set-off brought by a Debtor, a Mortgagor or Obligor (or any receiver of any such party) or a claim is brought by any such party in accordance with sub-paragraph (c) of Clause 7.1 referred to above, the Originator shall pay to the Issuer the amount claimed by the Debtor, Mortgagor or Obligor (or receiver thereof) plus interest. If the Originator does not contest the amount claimed, such payment shall be in satisfaction of the Originator's indemnity obligations under the Transfer Agreement. If the Originator intends to contest the amount claimed,

such payment (an "**Advance Indemnity**") shall be deemed to be an interest bearing limited recourse loan advanced by the Originator to the Issuer. The Advance Indemnity and interest thereon shall be repaid to the Originator out of, and to the extent of, the amounts (if any) collected or recovered in respect of the relevant Receivable.

Pursuant to Clause 8 of the Transfer Agreement, if (i) any breach of the representations and warranties given by the Originator results in a reduction in the value of the Receivables and such breach is not remedied within 60 days from the receipt of a written claim by the Issuer and in any event before the following Payment Date; or (ii) in respect of any Receivable which has become non-performing (*in sofferenza*):

(a) the relevant Mortgage Loan Agreement is alleged to be invalid, ineffective or unenforceable;

(b) the relevant Mortgage is alleged to be invalid, ineffective or unenforceable;

(c) an ordinary or insolvency claw-back action (*azione revocatoria ordinaria* or *fallimentare*) is filed in respect of a Mortgage;

(d) there exist other mortgage(s) on a Real Estate Asset that rank(s) *pari passu* with the Mortgage granted to secure a Receivable; or

(e) the Mortgagor did not have full title to the relevant Real Estate Asset at the time the Mortgage was created,

the Originator has undertaken to grant to the Issuer, upon first demand of the Issuer, a limited recourse loan (each a "**Limited Recourse Loan**") in an amount equal to: (a) the Individual Purchase Price of the relevant Receivable less all amounts of principal instalments recovered or collected by the Issuer in respect of such Receivable plus (b) interest thereon calculated at the average Rate of Interest of the Notes from the Issue Date to the Payment Date immediately succeeding the date the Limited Recourse Loan is granted; plus (c) costs and expenses (including, but not limited to, legal expenses and any other costs, plus any applicable VAT) incurred by the Issuer in connection with such Receivable up to the date the Limited Recourse Loan is granted; plus (d) loss and damages incurred by the Issuer as a result of claims brought by third parties in relation to the relevant Receivable, as of the date the Limited Recourse Loan is granted. Such Limited Recourse Loan will constitute a non-interest bearing limited recourse loan made by the Originator to the Issuer and shall be repaid to the Originator out of, and to the extent of, the amounts (if any) collected or recovered in respect of such Receivable.

Pursuant to Clause 9 of the Transfer Agreement, the Issuer has irrevocably granted to CARIGE, pursuant to Article 1331 of the Italian Civil Code, an option (the "**Clean Up Option**") to purchase (pursuant to Article 58 of the Consolidated Banking Act) all outstanding Receivables if at any time the Outstanding Principal of the Portfolio is equal to or less than 10% (ten per cent) of the lesser of: (i) the Outstanding Principal of the Portfolio as of the Effective Date; and (ii) the Initial Purchase Price, provided that: (a) the consideration therefor (the "**Clean Up Option Purchase Price**") is equal to or greater than the sum of: (i) the Principal Amount Outstanding of the Notes together with all accrued interest thereon as of the Payment Date immediately following the exercise of the Clean Up Option, and (ii) any amounts required under the Conditions to be paid in priority to or *pari passu* with the Notes on such Payment Date, *less* (iii) the Issuer Available Funds of such Payment Date; (b) CARIGE has obtained all the necessary authorisations in order to exercise the Clean Up Option; and (c) the Originator has delivered to the Issuer a certificate released by the legal representative of the Originator to certify that the Originator is not in a state of insolvency as of a date not earlier than two months before the date of exercise of the Clean Up Option.

The Clean Up Option Purchase Price shall be equal to: (a) the Outstanding Principal of the Performing Receivables as of the Payment Date immediately succeeding the date of exercise of the Clean Up Option; and (b) the market value of the Delinquent Receivables, the Defaulted Receivables and the Non-performing Receivables, as determined by a third party arbitrator appointed jointly by the Issuer and CARIGE and, in the absence of agreement between the parties, by the chairman of the Italian Bank Association (*Associazione Bancaria Italiana*).

The Clean Up Option may be exercised by written notice to be sent at least 15 Business Days before a Payment Date, and the transfer of the relevant Receivables must occur at least one Business Day before the relevant Payment Date simultaneously with the payment of the Clean Up Option Purchase Price. The Issuer shall use the proceeds arising from the Clean Up Option Purchase Price to redeem the Notes, pursuant to Condition 7.2 (*Optional Redemption*).

The Issuer has given certain representations and warranties to the Originator in relation to its due incorporation, solvency and due authorisation, execution and delivery of the Transfer Agreement. Clause 11 of the Transfer Agreement contains an undertaking by the Issuer to indemnify the Originator or any of its permitted assigns from and against any and all damages, losses, claims, liabilities, costs and expenses arising from any representations

and/or warranties made by the Issuer thereunder being false, incomplete or incorrect. The Issuer is entitled to contest any indemnity claim requested by the Originator and any dispute in relation thereto shall be settled in accordance with the National Arbitration Rules of the National and International Chamber of Commerce of Milan.

The Transfer Agreement also contains a number of undertakings by the Originator in respect of its activities relating to the Receivables. The Originator undertakes until the publication of a notice of the assignment of the Portfolio in the Official Gazette and its registration with the competent Register of Companies, *inter alia*, not to assign or transfer the Receivables to any third party or to create any security interest, charge, lien or encumbrance or other right in favour of any third party in respect of the Receivables, in whole or in part, and to refrain from any action which could prejudice the Receivables.

The Originator furthermore agrees that its claim for all sums due from the Issuer under the Transfer Agreement, save for the Initial Purchase Price (net of the Interest on the Initial Purchase Price), shall be limited to the lesser of the nominal amount thereof and the amount of Issuer Available Funds which may be applied by the Issuer in making such payment in accordance with the applicable Order of Priority. The Originator acknowledges that the obligations of the Issuer contained in the Transfer Agreement will be limited to such sums as aforesaid and any amount that remains unpaid upon completion of all the procedures for the collection and recovery of the Receivables or, in any event, on the Final Maturity Date, shall be cancelled.

The Transfer Agreement is governed by Italian law.

Any disputes arising out of or in connection with the Transfer Agreement will be settled pursuant to the National Arbitration Rules of the Chamber of National and International Arbitration of Milan.

Description of the Servicing Agreement

The description of the Servicing Agreement set out below is a summary of certain features of that agreement and is qualified by reference to the detailed provisions of the Servicing Agreement. Prospective Noteholders may inspect a copy of the Servicing Agreement at the registered office of each of the Representative of the Noteholders and the Luxembourg Agent.

On 25 June 2004, the Issuer and the Servicer entered into the Servicing Agreement.

Pursuant to the terms of the Servicing Agreement, the Servicer has agreed to administer and service the Receivables, including the collection of, and the management of judicial proceedings in relation to, the Receivables on behalf of the Issuer.

The receipt of cash collections in respect of the Receivables is the responsibility of the Servicer who will be the *soggetto incaricato della riscossione dei crediti ceduti e dei servizi di cassa e pagamento e responsabile della verifica della conformità delle operazioni alla legge e al prospetto informativo,* pursuant to Article 2.3(c) and 6 of the Securitisation Law. In its capacity as Servicer, CARIGE is also responsible for ensuring that such operations comply with the provisions of the law and of this Offering Circular.

Pursuant to the terms of the Servicing Agreement, the Servicer shall carry out, *inter alia*, the following activities:

(a) manage the Receivables in compliance with the procedures for the management, collection and recovery of Receivables pursuant to the Servicing Agreement (the "**Collection Policy**") and carry out all activities necessary for the administration and collection of the Receivables with due diligence and in compliance with all applicable laws;

(b) ensure the segregation of the Collections arising out of the Receivables in compliance with the provisions of the Servicing Agreement and the Cash Allocation, Management and Agency Agreement;

(c) where necessary, commence judicial proceedings, participate in pending enforcement proceedings and/or participate in liquidation proceedings in accordance with the Collection Policy; and

(d) maintain an effective accounting and monitoring system to ensure compliance with its obligations under the Servicing Agreement.

Pursuant to the Servicing Agreement and in compliance with the Collection Policy, the Servicer may re-negotiate or otherwise amend certain terms of the Mortgage Loan Agreements in respect of Performing Receivables, provided that (i) the new interest rate applicable to a Mortgage Loan Agreement shall not be more than the 30% lower than the interest rate originally provided by such Mortgage Loan Agreement; (ii) no Instalments due under such Mortgage Loan Agreements will be paid after the beginning of the fifth year preceding the Final Maturity Date; and (iii) the aggregate amount of the Receivables in respect of which the Mortgage Loan Agreements have been re-negotiated should not exceed the 5% of the principal outstanding amount of the Portfolio.

If the Servicer agrees to renegotiate the interest rate applicable under a Mortgage Loan Agreement in respect of Performing Receivables, the Servicer shall pay to the Issuer the present value of any interest payments which the Issuer would have received in the absence of such renegotiations discounted at the interest rate then applicable to sums credited to the AM2 Collection Account.

If the Servicer agrees to renegotiate the penalty payments due upon early termination of a Mortgage Loan Agreement in respect of Performing Receivables, the Servicer shall pay to the Issuer an amount equal to the difference between (a) the penalty payment due upon such early termination as agreed under the relevant Mortgage Loan Agreement and (b) the amounts received in respect of the re-negotiated penalty payment upon early termination of the relevant Mortgage Loan Agreement.

If the Servicer agrees to amend the instalment due dates under a Mortgage Loan Agreement in respect of Performing Receivables without increasing the relevant interest rate, the Servicer shall pay to the Issuer an amount equal to the difference between the aggregate amount of the instalments originally provided for under the Mortgage Loan Agreement and the aggregate amount of the instalments whose due dates have been amended, discounted as of the date of such amendment.

Without prejudice to its responsibility to monitor activities pursuant to Article 2(6) of the Securitisation Law, CARIGE is also expressly authorised by the Issuer to delegate to third parties its activities as Servicer. The Servicer shall remain at all times responsible for any activities delegated by it to third parties in accordance with the provisions of the Securitisation Law.

In consideration of the services provided by the Servicer, the Issuer will pay to the Servicer on each Payment Date (a) a fee equal to 0.4% of the Collections collected by the Servicer in the immediately preceding Collection Period

in respect of any Performing Receivable, Delinquent Receivable or Defaulted Receivable; and (b) a fee equal to 4.0% of the Collections collected by the Servicer in the immediately preceding Collection Period in respect of any Non-performing Receivable ((a) and (b) together, the "**Servicing Fee**").

Under the terms of the Servicing Agreement, the Servicer shall prepare and submit to the Issuer, with a copy to the Calculation Agent and the Representative of the Noteholders, on or before the 10th day of each January, April, July and October (or, if such day is not a Business Day, the immediately preceding Business Day) (each, a "**Quarterly Report Date**") a report (the "**Servicer's Quarterly Report**"). The Servicer's Quarterly Report will contain, *inter alia*, details on the amounts collected in respect of the Portfolio and any default on payments under the Mortgage Loans in respect of the immediately preceding Collection Period. A firm of internationally recognised auditors acceptable to the Representative of the Noteholders appointed by the Servicer shall prepare a report (the "**Audit Report**") within 20 days following the last Quarterly Report Date of each calendar year in relation to the information and data contained in the last Servicer's Quarterly Report. The Audit Report shall also indicate the procedures adopted by the auditors.

For the entire duration of the Servicing Agreement, the Servicer shall collect the Receivables on behalf of the Issuer and shall pay any such Collections into the AM2 Collection Account no later than the Business Day following the day on which such sums are collected, for value on the date on which the Servicer has received such amounts.

The Issuer and the Representative of the Noteholders are entitled to inspect and take copies of the documentation and records relating to the Receivables in order to monitor the activities performed by the Servicer pursuant to the Servicing Agreement, subject to reasonable notice being given to the Servicer.

The Issuer may terminate, at its own discretion, the Servicer's appointment, subject to the confirmation by the Rating Agencies that such appointment will not adversely affect the rating of the Notes, and appoint a successor Servicer if one of the following events takes place:

(i) an order is made by any competent judicial authority providing for a *liquidazione coatta amministrativa* of the Servicer or in the event that the Servicer is admitted to any insolvency proceedings provided for in Title IV of the Consolidated Banking Act or a resolution is passed by the Servicer for the admission of the Servicer to insolvency proceedings;

(ii) failure on the part of the Servicer to comply with or perform any obligation under the Servicing Agreement such as to materially prejudice the management, collection and/or recovery of the Receivables;

(iii) the Issuer does not receive, within five Business Days after the due date, the Audit Report as a result of the negligence (*colpa*) or wilful misconduct (*dolo*) of the Servicer;

(iv) the Issuer and the Calculation Agent do not receive the Servicer's Quarterly Report within 5 Business Days from its due date;

(v) material breach by CARIGE of the representations and warranties given by it under the Servicing Agreement and under Clause 6 of the Transfer Agreement; and

(vi) the breach by the Servicer of its obligations to credit any amount received in relation to the Receivables to the AM2 Collection Account and such breach continues for more than five Business Days.

Upon the termination of appointment of the Servicer, the Issuer will appoint, subject to the prior written approval of CARIGE, which shall not be unreasonably withheld, and of the Representative of the Noteholders, a successor Servicer which shall have the characteristics required by the Bank of Italy and the Securitisation Law in order to carry on servicing activities in Italy, subject to confirmation by the Rating Agencies that such appointment will not adversely affect the rating of the Notes.

Any termination of the appointment of the Servicer shall be effective only after the perfection of the appointment of the successor Servicer.

The Servicer acknowledges and accepts that, subject to any provisions to the contrary in the Servicing Agreement, it does not have any recourse against the Issuer for any damages, claims, liabilities, costs, and/or expenses (including, without limitation, legal fees and expenses) incurred by the Servicer as a result of the performance of its activities under the Servicing Agreement, except and to the extent that such damages are caused by the wilful misconduct (*dolo*) or negligence (*colpa*) of the Issuer.

Under the terms of the Servicing Agreement, the Servicer agrees that any claim for payment of sums due from the Issuer under the Servicing Agreement will be limited to the lesser between the amount of such claim and the Issuer Available Funds available to satisfy such claim, in accordance with the applicable Order of Priority set out in the Intercreditor Agreement. Any amount which remains unpaid following the completion of all procedures

undertaken for the recovery of the Receivables or, in any event, on the Final Maturity Date, shall be deemed to be waived by the Servicer and cancelled.

The Servicing Agreement is governed by Italian law. Any disputes arising out of or in connection with the Servicing Agreement will be settled pursuant to the National Arbitration Rules of the Chamber of National and International Arbitration of Milan.

Description of the Cash Allocation, Management and Agency Agreement

The description of the Cash Allocation, Management and Agency Agreement set out below is a summary of certain features of that agreement and is qualified by reference to the detailed provisions of the Cash Allocation, Management and Agency Agreement. Prospective Noteholders may inspect a copy of the Cash Allocation, Management and Agency Agreement upon request at the registered office of each of the Representative of the Noteholders and the Luxembourg Agent.

On or about the Issue Date, the Issuer has entered into the Cash Allocation, Management and Agency Agreement with the Representative of the Noteholders, the Cash Manager, the Account Banks, the Paying Agents, the Swap Calculation Agent the Luxembourg Agent and the Calculation Agent.

Pursuant to the Cash Allocation, Management and Agency Agreement:

- the Account Banks will provide the Issuer with certain reporting services together with account handling services in relation to the monies from time to time standing to the credit of the Accounts;
- the Cash Manager will provide the Issuer with certain reporting services together with certain investment and management services in relation to the monies standing to the credit of the AM2 Investment Account, the AM2 Principal Accumulation Account, the AM2 Cash Collateral Account and the securities deposited in the AM2 Securities Account;
- the Swap Calculation Agent will provide the Issuer with certain reporting services together with certain calculation services;
- the Calculation Agent will provide the Issuer with certain reporting services together with certain calculation services;
- the Paying Agents will provide the Issuer with certain payment services together with account handling and management services; and
- the Luxembourg Agent will provide the Issuer with certain services in relation to the documentation that the rules of the Luxembourg Stock Exchange may from time to time require and the publication of notices in relation to the listing of the Notes on the Luxembourg Stock Exchange.

The Accounts held with the Account Bank will be opened in the name of the Issuer. The amounts and securities, as the case may be, standing to the credit of the Accounts held with the Account Bank shall be debited and credited in accordance with the provisions of the Cash Allocation, Management and Agency Agreement, the Intercreditor Agreement, the Mandate Agreement and the Italian Deed of Pledge.

The AM2 Payment Account held with the Payment Account Bank will be opened in the name of the Issuer. The amounts standing to the credit of the AM2 Payment Account shall be debited and credited in accordance with the provisions of the Cash Allocation Management Agency Agreement, the Italian Deed of Pledge, the Intercreditor Agreement and the Mandate Agreement.

See also "*Description of the Accounts*".

Each of the Account Bank and the Payment Account Bank shall at all times be an Eligible Institution.

If the Account Bank or the Payment Account Bank ceases to be or to be deemed as Eligible Institutions, the Account Bank or Payment Account Bank, as the case may be, shall give notice of such event to the Issuer and the Representative of the Noteholders and:

(a) the Issuer will procure, within 30 days, the transfer of the Accounts held by the Account Bank or Payment Account Bank, as the case may be, to a bank which is an Eligible Institution; or

(b) the Account Bank or the Payment Account Bank, as the case may be, will deposit, within 30 days from the above notice, into a Euro-denominated account opened with a bank which is an Eligible Institution an amount to be determined from time to time as cash collateral to secure its obligations under the Cash Allocation, Management and Agency Agreement; or

(c) the Account Bank or the Payment Account Bank, as the case may be, shall procure, within 30 days from the above notice, that a bank which is an Eligible Institution will provide the Issuer with a first demand bank guarantee for a maximum amount to be determined from time to time to guarantee its obligations under the Cash Allocation, Management and Agency Agreement,

subject, in the case of (b) or (c) above, to prior written confirmation by the Rating Agencies that the rating of the Notes will not be relatively affected.

On or prior to each Quarterly Report Date, the Account Bank shall deliver to the Issuer, the Representative of the Noteholders, the Cash Manager, the Rating Agencies and the Calculation Agent a report (the "**Account Bank Quarterly Report**") which shall contain details of the balance as of the immediately preceding Collection Date of each of the Accounts held with the Account Bank and interest accrued thereon.

Funds standing from time to time to the credit of the AM2 Investment Account, the AM2 Principal Accumulation Account and the AM2 Cash Collateral Account will be invested by the Cash Manager on behalf of the Issuer in Eligible Investments. Subject to any re-investment of the liquidated funds in Eligible Investments in accordance with the provisions of the Cash Allocation, Management and Agency Agreement, (a) Eligible Investments deriving from funds standing to the credit of the AM2 Investment Account and AM2 Cash Collateral Account shall have a maturity date falling not beyond the next succeeding Collection Date; and (b) Eligible Investments deriving from funds standing to the credit of the AM2 Principal Accumulation Account shall have a maturity date falling not beyond the Collection Date immediately preceding the Payment Date falling in January 2006.

Subject to compliance with the restrictions constituted by the definition of Eligible Investments and the other restrictions set out in the Cash Allocation, Management and Agency Agreement, the Cash Manager shall have absolute discretion as to the type and amount of Eligible Investments which it may acquire and as to the terms on which, institutions from which and markets on which any purchase of Eligible Investments may be effected. On or prior to each Quarterly Report Date, the Cash Manager shall deliver to the Issuer, the Representative of the Noteholders, the Account Banks, the Rating Agencies, the Calculation Agent and the Paying Agents a report (the "**Cash Manager Quarterly Report**") which shall contain details of the Eligible Investments made.

Subject to receipt from the Servicer of the Servicer's Quarterly Report (see "*Description of the Servicing Agreement*"), the Swap Calculation Agent will prepare a report (the "**Swap Payments Report**"), setting out the amounts to be received by the Issuer from the Swap Counterparty on each Swap Payment Date and amounts to be paid by the Issuer to the Swap Calculation Agent on each Payment Date in accordance with the applicable Order of Priority. The Swap Calculation Agent shall, no later than the close of business of the 13th day of January, April, July and October (or, if any such day is not a Business Day, the immediately preceding Business Day), deliver a copy of the Swap Payments Report to the Issuer, the Representative of the Noteholders and the Calculation Agent.

Subject to receipt by it from the Servicer of the Servicer's Quarterly Report (see "*Description of the Servicing Agreement*"), the Swap Payments Report, the Cash Manager Quarterly Report and the Account Bank Quarterly Report referring to the preceding Collection Period, the Calculation Agent will prepare a Payments Report, setting out, *inter alia*, payments to be made on the Payment Date immediately succeeding the relevant Collection Period in accordance with the applicable Order of Priority. The Calculation Agent shall, no later than the close of business on the Calculation Date, deliver a copy of the Payments Report to, *inter alios*, the Issuer, the Representative of the Noteholders, the Luxembourg Agent, the Swap Calculation Agent and the Paying Agents. Copies of the Payment Report will also be made freely available by the Calculation Agent at the office of each of the Paying Agents and the Luxembourg Agent.

Under the terms of the Cash Allocation, Management and Agency Agreement, the Account Bank shall transfer to the AM2 Payment Account from the AM2 Investment Account (and, if appropriate, the AM2 Principal Accumulation Account) such amount of the Issuer Available Funds available to pay interest and/or principal to the Noteholders on each Payment Date in accordance with the Payments Report. Such sums will be credited to the AM2 Payment Account two Business Days prior to the relevant Payment Date.

The Account Bank shall, on behalf of the Issuer, maintain or procure the maintenance of records in respect of the Accounts held by it and such records will, show separately (i) all payments paid to, and all payments made from, each of such Accounts and will record these receipts and payments on a basis which is consistent with the principles set out in the Cash Allocation, Management and Agency Agreement and the Intercreditor Agreement; and (ii) all Eligible Investments acquired and disposed of during the preceding Collection Period.

On each Payment Date, payments to the Noteholders will be made from the AM2 Payment Account by the Paying Agents in accordance with the Payments Report, subject to the relevant amount indicated in the Payments Report being credited to the AM2 Payment Account before 10:00 a.m. (Milan Time) of the second Business Day prior to each Payment Date. The Paying Agents shall credit the relevant amounts of interest and/or principal due and payable to the Noteholders in accordance with the applicable Order of Priority to the bank accounts of the Monte Titoli Account Holders.

Notwithstanding any other provision of the Cash Allocation, Management and Agency Agreement, the Paying Agents shall be entitled to make a deduction or withholding from any payment which it makes thereunder for or on account of any present or future taxes, duties or charges if and to the extent so required by applicable law, in which event the Paying Agents shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so withheld or deducted.

The Payment Account Bank shall keep a record of the balance of the AM2 Payment Account at all times and details of all amounts credited to and transfers made from the AM2 Payment Account on or immediately prior to each Payment Date.

The Luxembourg Agent shall, *inter alia*, (i) make available for inspections during normal business hours at its offices in Luxembourg such documents as may from time to time be required by the rules of the Luxembourg Stock Exchange and, upon reasonable request, will allow copies of such documents to be taken (provided that the Issuer shall provide the Luxembourg Agent with copies of the documents referred to in the previous sentence); (ii) promptly forward to the Issuer a copy of any notice or communication addressed to the Issuer by any Noteholder and which is received by the Luxembourg Agent; (iii) make available to the Issuer such information in its possession as is reasonably required for the maintenance by the Issuer of the records relating to the Notes; and (iv) arrange for publication of any notice which is to be given to Noteholders -including, for the avoidance of doubts, any notice of redemption of the Notes- by publication in a newspaper having general circulation in Luxembourg and shall supply a copy thereof to the Luxembourg Stock Exchange.

The Cash Allocation, Management and Agency Agreement will contain representations and warranties of the Issuer, the Cash Manager, the Luxembourg Agent, the Account Banks, the Paying Agents, the Swap Calculation Agent and the Calculation Agent in respect of, *inter alia*, their status, powers and authorisations and due execution and delivery of the Cash Allocation, Management and Agency Agreement.

None of the Cash Manager, the Luxembourg Agent, the Account Banks, the Paying Agents, the Swap Calculation Agent and the Calculation Agent shall be liable in respect of any loss, liability, claim, expense or damage suffered or incurred by any other party hereto as a result of the performance of its obligations under the Cash Allocation, Management and Agency Agreement save where such loss, liability, claim, expense or damage is suffered or incurred as a result of any fraud, gross negligence or wilful misconduct of the Cash Manager, the Luxembourg Agent, the Account Banks, the Paying Agents, the Swap Calculation Agent or, as the case may be, the Calculation Agent or of any breach by it of the provisions of the Cash Allocation, Management and Agency Agreement.

Upon the occurrence of certain events, the Issuer may, subject to the prior written approval of the Representative of the Noteholders pursuant to the terms of the Cash Allocation, Management and Agency Agreement, terminate the appointment of the Cash Manager, the Calculation Agent, the Luxembourg Agent and each of the Account Banks and the Paying Agents, as the case may be.

The Cash Manager, the Calculation Agent, the Luxembourg Agent, the Swap Calculation Agent and each of the Account Banks and the Paying Agents may, in certain circumstances, resign from their respective appointment under the Cash Allocation, Management and Agency Agreement upon giving not less than three months prior written notice of termination to the Representative of the Noteholders, the Issuer and the other parties thereto.

The Issuer may, subject to the prior written approval of the Representative of the Noteholders pursuant to the terms of the Cash Allocation, Management and Agency Agreement, terminate the appointment of any of the Cash Manager, the Calculation Agent, the Luxembourg Agent, the Swap Calculation Agent, the Account Banks and the Paying Agents under the Cash Allocation, Management and Agency Agreement in any circumstances by giving three months prior written notice of such termination to the Cash Manager, the Calculation Agent, the Luxembourg Agent, the Swap Calculation Agent, the Italian Paying Agent, the Principal Paying Agent, the Account Bank or, as the case may be, the Payment Account Bank and the other parties thereto, provided that a substitute therefor has been appointed on substantially the same terms as those set out in the Cash Allocation, Management and Agency Agreement and the then current ratings of the Notes will not be adversely affected as a result of such termination and substitution.

The Cash Allocation, Management and Agency Agreement will be governed by Italian law and the courts of Milan will have exclusive jurisdiction in relation to any disputes arising in respect of the Cash Allocation, Management and Agency Agreement.

Description of the Intercreditor Agreement

The description of the Intercreditor Agreement set out below is a summary of certain features of that agreement and is qualified by reference to the detailed provisions of the Intercreditor Agreement. Prospective Noteholders may inspect a copy of the Intercreditor Agreement at the registered office of each of the Representative of the Noteholders and the Luxembourg Agent.

Pursuant to the Intercreditor Agreement entered into on or about the Issue Date by the Issuer, the Originator, the Servicer, the Corporate Services Provider, the Account Banks, the Paying Agents, the Swap Counterparty, the Cash Manager, the Calculation Agent, the Luxembourg Agent, the Swap Calculation Agent, the Subordinated Loan Provider, the Security Trustee and the Representative of the Noteholders (acting for itself and on behalf of the Noteholders), the parties thereto have agreed to the order of priority of payments to be made out of the Issuer Available Funds.

Under the terms of the Intercreditor Agreement, the Other Issuer Creditors and the Noteholders irrevocably jointly appoint the Representative of the Noteholders as their agent in relation to the Security Documents and entrust the Representative of the Noteholders, following the delivery of an Enforcement Notice, to receive in their name and on their behalf all payments to be made by the Issuer pursuant to the applicable Order of Priority and to apply all cash deriving from time to time from the subject matter of the Security Documents, as well as all proceeds from the enforcement thereof, to satisfy amounts payable to each of them in accordance with the applicable Order of Priority.

The Noteholders and the Other Issuer Creditors acknowledge that each of the Representative of the Noteholders and the Security Trustee is not obliged to exercise any of its discretion or powers pursuant to the Transaction Documents until it has been indemnified and/or secured to its satisfaction against any losses that it may incur as a result of so acting.

The obligations owed by the Issuer to each Noteholder and to each of the Other Issuer Creditors will be limited recourse obligations of the Issuer. The Noteholders will have a claim against the Issuer only to the extent of the Issuer Available Funds, subject to and as provided in the Intercreditor Agreement and the other Transaction Documents.

Under the terms of the Intercreditor Agreement the Issuer undertakes, upon the occurrence of an Enforcement Event, to comply with all directions of the Representative of the Noteholders in relation to the management and administration of the Receivables.

The Intercreditor Agreement furthermore provides that the Issuer, upon exercise of its option for an early redemption of the Notes or, following the service of an Enforcement Notice, the Representative of the Noteholders, shall be entitled, in accordance with the provisions set out in the Intercreditor Agreement and Condition 7.3 or Condition 11.1(B) of the Terms and Conditions of the Notes, to direct the sale of one or more Receivables comprised in the Portfolio provided that a sufficient amount would be realised to allow the discharge in full of all amounts owing to the Noteholders and amounts ranking in priority thereto or *pari passu* therewith.

The Intercreditor Agreement will be governed by Italian law. The courts of Milan will have exclusive jurisdiction in relation to any disputes arising in respect of the Intercreditor Agreement.

Description of the Security Documents

The description of the Italian Deed of Pledge and the English Deed of Charge set out below is a summary of certain features of those documents and is qualified by reference to the detailed provisions of such documents. All defined terms herein bear the same meaning ascribed thereto in the Italian Deed of Pledge and the English Deed of Charge unless otherwise specified. Prospective Noteholders may inspect a copy of the Italian Deed of Pledge and the English Deed of Charge at the registered office of each of the Representative of the Noteholders and the Luxembourg Agent.

On or about the Issue Date, the Issuer has executed the Italian Deed of Pledge pursuant to which the Issuer has granted in favour of the Noteholders and the Other Issuer Creditors a first priority pledge over (a) all monetary claims and rights and all the amounts (including payment for claims, indemnities, damages, penalties, credits and guarantees) to which the Issuer is entitled pursuant to the Transaction Documents (other than the Security Documents, the Swap Agreement and the Subscription Agreement) to which the Issuer is a party; (b) any existing or future pecuniary claim and right arising out or in connection with and any sum credited from time to time to the AM2 Collection Account (other than the Excluded Collections, if any), the AM2 Payment Account (other than the amounts deriving from the subscription price of the Notes), the AM2 Investment Account, the AM2 Principal Accumulation Account and the AM2 Cash Collateral Account managed pursuant to the provisions of the Cash Allocation, Management and Agency Agreement, except for any amount provided by or on behalf of the Swap Counterparty as collateral and the cash benefit of any Tax Credit due to the Swap Counterparty; and (c) the Eligible Investments and all dividends, interest and other monies payable in respect thereof and all other rights, benefits and proceeds deriving therefrom.

On or about the Issue Date, the Issuer has executed the English Deed of Charge (together with the Italian Deed of Pledge, the "**Security Documents**") pursuant to which the Issuer has assigned and charged all of the Issuer's rights, title, interest and benefit (present and future) in, to and under the Swap Agreement and the Subscription Agreement in favour of the Security Trustee for itself and on trust for the Issuer Secured Creditors.

The Noteholders and the Other Issuer Creditors agree that the cash deriving from time to time from the Security Documents, shall be applied to make the permitted payments required to be made by the Issuer pursuant to the Conditions and the Transaction Documents on each Payment Date in accordance with the applicable Order of Priority.

The Noteholders and each of the Other Issuer Creditors acknowledge that each of the Representative of the Noteholders and the Security Trustee shall not be bound to take any steps or institute any proceedings after an Enforcement Notice is served upon the Issuer, following the occurrence of an Enforcement Event to take any action to enforce any security interest created by the Security Documents, unless it has first been indemnified or secured to its satisfaction against all actions, proceedings, claims and demands to which it may thereby render itself liable and all costs, charges, damages and expenses which it may reasonably incur by so doing.

The Italian Deed of Pledge will be governed by Italian law and the courts of Milan shall have exclusive jurisdiction in relation to any disputes in respect thereof.

The English Deed of Charge will be governed by English law and the courts of England shall have exclusive jurisdiction in relation to any disputes in respect thereof.

Description of the Mandate Agreement

The description of the Mandate Agreement set out below is a summary of certain features of that agreement and is qualified by reference to the detailed provisions of the Mandate Agreement. All defined terms herein bear the same meaning ascribed thereto in the Mandate Agreement unless otherwise specified. Prospective Noteholders may inspect a copy of the Mandate Agreement at the registered office of each of the Representative of the Noteholders and the Luxembourg Agent.

On or about the Issue Date, the Issuer and the Representative of the Noteholders has entered into the Mandate Agreement pursuant to which the Representative of the Noteholders is authorised to exercise, in the name and on behalf of the Issuer, (a) subject to the occurrence of an Enforcement Event and the subsequent delivery of an Enforcement Notice, all the Issuer's rights arising out of the Transaction Documents (other than the right to collect and recover Receivables under the Servicing Agreement) to which the Issuer is a party and the Issuer's rights in respect of the Receivables, including the right to direct the sale (in whole or in part) of the Portfolio, provided that a sufficient amount shall be realised to allow the discharge in full of all amounts due and payable to the Noteholders and amounts ranking (in accordance with the applicable Order of Priority) in priority thereto or *pari passu* therewith; and (b) upon any failure by the Issuer to exercise its rights under the Transaction Documents against any party in default to procure the remedy of such default, all the Issuer's rights arising under such Transaction Documents against the defaulting counterparty, if such failure has not been remedied by the Issuer within a period of 30 days after notification by the Representative of the Noteholders (or such shorter time period as the Representative of the Noteholders shall from time to time consider necessary in order to avoid any material prejudice to the interest of the Noteholders (or any of them)).

The Mandate Agreement will be governed by Italian law. The courts of Milan will have exclusive jurisdiction in relation to any disputes arising in respect of the Mandate Agreement.

Description of the Subordinated Loan Agreement

The description of the Subordinated Loan Agreement set forth below is a summary of certain provisions of that agreement and is qualified by reference to the detailed provisions of the Subordinated Loan Agreement. All capitalised words or expressions used below and not otherwise defined herein shall have the meaning ascribed to such word or expression in the Subordinated Loan Agreement. Prospective Noteholders may inspect a copy of the Subordinated Loan Agreement at the registered offices of each the Representative of the Noteholders and the Luxembourg Agent.

On or about the Issue Date, the Issuer has entered into the Subordinated Loan Agreement with CARIGE (in such capacity, the "**Subordinated Loan Provider**") pursuant to which the Subordinated Loan Provider has granted the Issuer a limited recourse subordinated loan (the "**Subordinated Loan**") in an amount equal to Euro 22,753,000, which will be used to deposit in the AM2 Cash Collateral Account the Initial Cash Collateral Amount, to retain in the AM2 Expenses Account the Initial Disbursement Amount, to pay the Closing Costs and to credit the AM2 Quota Capital Account with an amount to bring the balance of such Account to Euro 10,000.

Pursuant to the terms of the Subordinated Loan Agreement, on each Payment Date the Issuer shall pay interest at the Legal Rate of Interest and shall repay any amount of principal then outstanding under the Subordinated Loan Agreement, in each case out of the Issuer Available Funds and in accordance with the applicable Order of Priority.

The obligations of the Issuer under the Subordinated Loan Agreement are limited recourse obligations, and any payment of interest and/or repayment of principal due on the Subordinated Loan will be made by the Issuer out of the Issuer Available Funds in accordance with the applicable Order of Priority.

The Subordinated Loan Agreement is governed by, and will be construed in accordance with, Italian law. The courts of Milan will have exclusive jurisdiction in relation to any disputes arising in respect of the Subordinated Loan Agreement.

Description of the Swap Agreement

T*he description of the Swap Agreement set out below is a summary of certain features of that agreement and is qualified by reference to the detailed provisions of the Swap Agreement. Prospective Noteholders may inspect a copy of the Swap Agreement at the registered offices of each the Representative of the Noteholders and the Luxembourg Agent.*

In order to mitigate its floating rate interest exposure in relation to the Notes, the Issuer has entered into an agreement on or about the Issue Date with the Swap Counterparty, in the form of an International Swaps and Derivatives Association, Inc. ("**ISDA**") 1992 Master Agreement (Multicurrency – Cross Border) together with a Schedule (the "**Master Agreement**" and, together with the relating Swap Confirmation, the "**Swap Agreement**").

The Issuer has also entered into a Swap Confirmation with the Swap Counterparty evidencing the terms of a Swap Transaction under the terms of which on each Payment Date, (i) the Issuer will pay to the Swap Counterparty an amount equal to product of (a) the outstanding principal amount of all Mortgage Loans; (b) the number of days in the relevant Collection Period; and (c) a rate equivalent to the fixed interest rate or floating interest rate plus the applicable margin pursuant to the terms of the Swap Agreement, as the case may be; and (ii) the Swap Counterparty will, on each Swap Payment Date, make payments to the Issuer determined by reference to Three Month Euribor plus a margin, multiplied by the notional amount of the Swap Transaction on such Payment Date as set out in the Swap Confirmation and further multiplied by the number of days obtained by applying the day count convention specified in the Swap Agreement. The notional amount of the Swap Transaction is based on the aggregate Outstanding Principal amount of the Portfolio from time to time, and is defined so as to reduce proportionately as interest payment defaults on the Portfolio increase.

Under the terms of the Master Agreement, in the event that any deduction or withholding for or on account of any tax is required with respect to payments to be made by the Swap Counterparty to the Issuer, the Swap Counterparty will be required to pay such additional amounts as are necessary to ensure that the net amount actually received by the Issuer will be equal to the full amount the Issuer would have received had no such deduction or withholding been required.

Under the terms of the Swap Agreement, in the event that the long term, unsecured and unsubordinated debt obligations of the Swap Counterparty are downgraded below A1 by Moody's or the short term, unsecured and unsubordinated debt obligations of the Swap Counterparty are downgrated below F1 by Fitch and as a result of such downgrading the then current rating of the Notes may be downgraded, the Issuer has the right to terminate the Swap Agreement and the Swap Transaction, unless the defaulting Swap Counterparty within 30 days of such downgrade and at its own cost, either:

- obtains a guarantee of its obligations under the Swap Agreement from a third party whose long term, unsecured and unsubordinated debt obligations are rated A1 or above by Moody's and whose short term, unsecured and unsubordinated debt obligations are rated F1 or above by Fitch;
- puts in place appropriate mark-to-market collateral arrangements in compliance with the requirements of the Rating Agencies; or
- transfers all of its rights and obligations under the Swap Agreement to a replacement third party provided that such third party's long term, unsubordinated debt obligations are rated A1 or above by Moody's and such third party's short term, unsubordinated debt obligations are rated F1 or above by Fitch; or
- procure such third party to become co-obligor or guarantor in respect of its obligation under the Swap Agreement as will result in the relevant class of Notes being rated no less higher than their rating immediately below such downgrade; or
- take such other action as the Swap Counterparty may agree with the Rating Agencies as will result in the rating of the relevant Notes being maintained at, or restored to the level it would have been immediately prior to such downgrading of the Swap Counterparty.

If the short-term, unsecured and unsubordinated debt obligations of the Swap Counterparty (or its successor, assignee or novatee) cease to be rated by Moody's as high as P-2, or Baa2 for its long term debt and the Swap Counterparty fails to take the measures described above, such failure shall constitute an Event of Default under the Swap Transaction.

The Swap Agreement will terminate on the Final Maturity Date unless terminated earlier in accordance with their terms. The Master Agreement and the Swap Confirmation entered into pursuant thereto may also be terminated in the event that the Notes are redeemed in full or if, following the occurrence of an Enforcement Event, the Representative of the Noteholders serves an Enforcement Notice.

Subject to the following, the Swap Counterparty and the Issuer are only obliged to make payments under the Swap Confirmation to the extent that the other party makes the corresponding payments thereunder. Under the terms of the Swap Confirmation, on or about each Payment Date, or the Swap Payment Date in the case of the Swap Counterparty, both the Issuer and the Swap Counterparty are required to make a payment. In the event that the Issuer fails to make any one such payment, then the Swap Counterparty is entitled to terminate the Swap Confirmation. Upon such termination, the Issuer may be required to make a termination payment to the Swap Counterparty. Such payment will be made in accordance with the Order of Priority set out in the Intercreditor Agreement.

In the event that the Swap Counterparty fails to make any one such payments, then the Issuer is entitled to terminate the Swap Confirmation. Upon such termination, the Issuer may be required to make a termination payment to the Swap Counterparty. Such payment will be made in accordance with the Order of Priority set out in the Intercreditor Agreement.

Any amount payable by the Issuer to the Swap Counterparty in respect of: (i) the cash benefit of any Tax Credit (as defined in the Swap Agreement) realised by the Issuer under the Swap Agreement, or (ii) the excess of any collateral posted by the Swap Counterparty over any termination amount due and payable by the Swap Counterparty to the Issuer pursuant to the Swap Transaction, will be paid by the Issuer on the relevant due date and outside of the applicable Order of Priority. The amounts due by the Issuer under (i) above will be paid out of the cash realised by the Issuer as a result of the Tax Credit. The amounts due by the Issuer under (ii) above will be paid out of the collateral released in accordance with the Swap Agreement.

The Swap Agreement will be governed by English law.

The Swap Counterparty

CDC IXIS Capital Markets

CDC IXIS Capital Markets is a French law limited liability company (*société anonyme à Directoire et Conseil de Surveillance*), which was incorporated on 31 March 1987 and is regulated by Articles L.210-1 et seq. of the French Commercial Code. Its registered office is at 47 Quai d'Austerlitz, 75648 Paris Cedex 13, France. For the purpose of the Swap Agreement, CDC IXIS Capital Markets is acting through its London Branch, established in accordance with the 2nd European Directive, registered in England as a branch under No.BR004413 and regulated by the Financial Services Authority (the FSA) for investment business conducted in the United Kingdom.

CDC IXIS Capital Markets was licensed as a finance company (*société financière*), a type of French credit institution, on 31 May 1996 by the Comité des établissements de crédit et des entreprises d'investissement. Consequently, it is subject to French and European laws and regulations applicable to credit institutions (such as capital adequacy, insolvency and prudential ratios) and is regulated by Livre V of the French Monetary and Financial Code. As a provider of investment services, it is also subject to the supervision and regulation of the Autorité des marchés financiers which grants licences to providers of investment services and regulates and controls their financial activities.

Transactions (as defined in the CDC IXIS Guarantee referred to below) entered into by CDC IXIS Capital Markets during the period between 24 January 2004 and at the latest midnight (Paris time) on 23 January 2007 are guaranteed by a guarantee in the form of a joint and several obligation (*cautionnement solidaire*) dated 28 May 2003 and with effect from (and including) 24 January 2004 granted to the counterparties of CDC IXIS Capital Markets by CDC IXIS ("**CDC IXIS**"), the parent company of CDC IXIS Capital Markets, (the "**CDC IXIS Guarantee**"). The CDC IXIS Guarantee extends both to all on-balance sheet and off-balance sheet transactions (subject to the terms of the CDC IXIS Guarantee) if their respective maturity dates fall before 24 January 2017, other than (i) payment obligations arising from any subordinated securities or debts subject to a subordination provision which is intended for or which results in the assimilation of the securities or debts to its own funds as defined by banking regulations or (ii) any payment obligations arising under any transaction which are specifically excluded from the benefit of the CDC IXIS Guarantee.

The counterparties of CDC IXIS benefit from a guarantee also in the form of a joint and several obligation (*cautionnement solidaire*) dated 28 May 2003 with effect from 24 January 2004 granted to the counterparties of CDC IXIS by the Caisse des Dépôts et Consignations ("**CDC**"), a French public financial institution (the "**CDC Guarantee**"). The CDC Guarantee extends to the undertakings of CDC IXIS under the CDC IXIS Guarantee.

Transactions (as defined in the Additional CDC IXIS Guarantee referred to below) entered into by CDC IXIS Capital Markets on or after 24 January 2004 and which have maturity dates falling after 24 January 2017 are guaranteed by an additional guarantee in the form of a joint and several obligation (*cautionnement solidaire*) dated 7 January 2004 and with effect from (and including) 24 January 2004 granted to the counterparties of CDC IXIS Capital Markets by CDC IXIS (the "**Additional CDC IXIS Guarantee**"). The Additional CDC IXIS Guarantee extends to all Transactions with respective maturity dates that fall after 24 January 2017, other than obligations to pay arising from any subordinated securities or debts issued or entered into by CDC IXIS Capital Markets subject to a subordination provision which is intended for, or which results in, the assimilation of the securities or debts to its own funds as defined by banking regulation. For avoidance of doubt, it is indicated that the undertakings of CDC IXIS under the Additional CDC IXIS Guarantee are not guaranteed by CDC.

Before claiming under the Additional CDC IXIS Guarantee described above, a counterparty must first deliver a written payment request to CDC IXIS Capital Markets for amounts due but unpaid. If the amount claimed remains unpaid by CDC IXIS Capital Markets two business days after receipt by it of the payment request, the counterparty may issue a written demand on CDC IXIS in accordance with the terms of the Additional CDC IXIS Guarantee and CDC IXIS will be obliged to pay amounts due to the counterparty in accordance with the terms of the Additional CDC IXIS Guarantee within three business days of such written demand.

The Additional CDC IXIS Guarantee may be terminated at any time by CDC IXIS. If the Additional CDC IXIS Guarantee was terminated, CDC IXIS Capital Markets must inform the relevant beneficiaries of this guarantee by publishing a public announcement in at least one financial newspaper in each of Paris, London, Frankfurt, New York and Tokyo at least six months before the effective date of the intended termination.

Notwithstanding termination of the Additional CDC IXIS Guarantee, relevant Debts (as defined in the Additional CDC IXIS Guarantee) arising from Transactions entered into by CDC IXIS Capital Markets from (and including) 24 January 2004 to its scheduled date of termination and guaranteed by the Additional CDC IXIS

Guarantee will continue to benefit from the undertakings given by CDC IXIS under the Additional CDC IXIS Guarantee until their respective maturity dates.

The long term, unsecured, unsubordinated debt obligations of CDC IXIS Capital Markets are currently rated "AAA/ negative" by S&P, "Aaa" by Moody's and "AAA" by Fitch when ultimately guaranteed by CDC and "AA" by S&P and Aa2 by Moody's when solely guaranteed by CDC IXIS. The long term, unsecured, unsubordinated and unguaranteed debt obligations of CDC IXIS are currently rated "AA" by S&P, "Aa2" by Moody's. The short term, unsecured, unsubordinated debt obligations of CDC IXIS Capital Markets are currently rated "A-1+" by S&P, "P-1" by Moody's and "F-1+" by Fitch.

In October 2003, CDC and Caisse Nationale des Caisses d'Epargne ("**CNCEP**") signed a memorandum of agreement in order to put their partnership on a new footing. The two groups were consolidating their partnership on a long-term basis by striking a new balance in their respective roles within a universal bank, to be created by making EULIA and CDC IXIS an integral part of the Caisse d'Epargne Group. On 27 May 2004, CDC and CNCEP signed the final draft agreement and shareholders agreement relating to the new partnership project.

Pursuant to the final draft agreement, as at 30 June 2004 CDC transferred its total participation – i.e. 43.55 per cent. – in CDC IXIS to the Caisses d'Epargne. As at the same date, the Caisses d'Epargne transferred their 43.55% stake to EULIA, which already owned 53% of the share capital of CDC IXIS, thus bringing EULIA's stake in CDC IXIS to 96.55%, and EULIA was then incorporated by merger into CNCEP. As a result, CNCEP now holds 96.55 per cent of the share capital of CDC IXIS (and the remaining 3.45% is held by San Paolo IMI).

The new agreement also calls for the purchase by CDC of a major part of CDC IXIS's proprietary portfolio and the reorganisation (which is expected to be implemented by the end of the 2004 calendar year) of the CDC IXIS group into business line divisions (corporate and investment banking, custody services and fund administration, asset management), ultimately held by CNCEP. The last stage of this reorganisation will be the merger of CDC IXIS into CNCEP.

When the process is completed, the Caisses d'Epargne will hold 65 per cent. of the new CNCEP and CDC will consolidate its role as a strategic shareholder with a 35 per cent stake in the new CNCEP.

As of 30 June 2004, the entire share capital and voting rights of CDC IXIS Capital Markets are held by CDC IXIS.

Accounts

The Issuer has directed the Account Bank to establish and maintain the following accounts as separate accounts in the name of the Issuer:

(i) the AM2 Collection Account *to which* (a) all sums received or recovered by the Issuer from or in respect of the Receivables will be credited at the end of each Local Business Day; and *out of which* (b) all sums standing to the credit of such account (other than the Excluded Collections, if any) will be transferred to the AM2 Investment Account at the closing of business of each Local Business Day; and (c) the Excluded Collections, if any, will be paid to the Originator at the closing of business of each Local Business Day, to the extent that such sum has not already been retained by the Servicer for repayment to the Originator;

(ii) the AM2 Expenses Account *to which* (a) the Initial Disbursement Amount will be retained on the Issue Date out of the funds received by the Issuer pursuant to the Subordinated Loan Agreement; and (b) on each Payment Date, an amount equal to the Issuer Disbursement Amount will be paid out of the Issuer Available Funds in accordance with the applicable Order of Priority; and *out of which* (c) costs and expenses of the Issuer referred to in items (i), (ii) and (iv) of the Pre-Enforcement Order of Priority or the Post-Enforcement Order of Priority and payable other than on a Payment Date will be paid;

(iii) the AM2 Quota Capital Account *to which* (a) all sums contributed by the Quotaholders of the Issuer as quota capital will be credited; and (b) an amount will be credited on the Issue Date out of the funds received by the Issuer pursuant to the Subordinated Loan Agreement to bring the balance of the AM2 Quota Capital Account to Euro 10,000;

(iv) the AM2 Investment Account *to which* (a) all sums standing from time to time to the credit of the AM2 Collection Account (other than the Excluded Collections, if any) will be credited at the end of each Local Business Day; (b) all sums (other than Collections and other amounts deriving from the Portfolio) payable to the Issuer under the Transaction Documents (except the Swap Agreement) to which the Issuer is a party will be credited (save as otherwise specifically provided); (c) sums from the liquidation of Eligible Investments deriving from funds standing to the credit of such Account, including profit generated thereby or interest accrued and paid thereon, will be credited; (d) profit generated by or interest accrued and paid on Eligible Investments deriving from funds standing to the credit of the AM2 Principal Accumulation Account will be credited; (e) three Business Days before each Payment Date, the amount standing to the credit of the AM2 Cash Collateral Account on the immediately preceding Collection Date will be transferred from the AM2 Cash Collateral Account; and *out of which* (f) funds standing from time to time to the credit thereof will be invested in Eligible Investments by the Cash Manager pursuant to the terms of the Cash Allocation, Management and Agency Agreement and deposited in the AM2 Investment Securities Account; (g) such amount of the Issuer Available Funds available to pay interest and/or repay principal on the Notes to the Noteholders on each Payment Date in accordance with the Payments Report will be transferred by 10:00 a.m. (Milan time) two Business Days prior to the relevant Payment Date to the AM2 Payment Account (less, on the First Principal Repayment Date only, the amount standing to the credit of the AM2 Principal Accumulation Account and available for such purpose, which will be transferred to the AM2 Payment Account from the AM2 Principal Accumulation Account); and (h) on each Payment Date, payments due to parties other than the Noteholders will be made in accordance with the Payments Report;

(v) the AM2 Principal Accumulation Account *to which* (a) on each Payment Date prior to the Payment Date falling in January 2006, all sums payable under item (xii) of Condition 5.1 (*Pre- Enforcement Order of Priority)* or, as the case may be, items (ix), (xi) and (xiii) of Condition 5.2 (*Post-Enforcement Order of Priority*) will be paid; (b) sums from the liquidation of Eligible Investments deriving from funds standing to the credit of such Account, other than profit generated thereby or interest accrued and paid thereon, will be credited; and *out of which* (c) funds standing from time to time to the credit thereof will be invested by the Cash Manager in Eligible Investments pursuant to the terms of the Cash Allocation, Management and Agency Agreement and deposited in the AM2 Principal Accumulation Securities Account;

On the First Principal Repayment Date, all sums standing to the credit of the AM2 Principal Accumulation Account will form part of the Issuer Available Funds, provided that if the Issuer Available Funds on any Payment Date prior to (but excluding) the First Principal Repayment Date would, excluding the relevant amounts from the AM2 Principal Accumulation Account, be insufficient to satisfy the Issuer's payment obligations under items (i) to (xi) (inclusive) of the Pre-Enforcement Order of Priority or items (i) to (viii) (inclusive) of the Post-Enforcement Order of Priority, the Issuer Available Funds shall, on such Payment Date, also include an amount not exceeding the balance of the AM2 Principal Accumulation Account on

the immediately preceding Collection Date in order to enable the Issuer to satisfy the aforementioned payment obligations;

(vi) the AM2 Securities Accounts (namely, the AM2 Investment Securities Account, the AM2 Principal Accumulation Securities Account and the AM2 Cash Collateral Securities Account), *to which* (a) all securities constituting Eligible Investments deriving from funds standing to the credit of the AM2 Investment Account, the AM2 Principal Accumulation Account and the AM2 Cash Collateral Account, respectively, will be deposited from time to time and pledged in accordance with the provisions of the Intercreditor Agreement and the Italian Deed of Pledge and *out of which* (b) upon liquidation of the Eligible Investments, funds deriving therefrom will be credited to the Account from which the invested funds originally derived, with the exception of profit from or interest accrued and paid on Eligible Investments deriving from funds standing to the credit of the AM2 Principal Accumulation Account which will be credited to the AM2 Investment Account;

(vii) the AM2 Cash Collateral Account *to which* (a) the Initial Cash Collateral Amount will be deposited on the Issue Date; and (b) on each Payment Date prior to the delivery of an Enforcement Notice, all sums payable under item (xviii) of the Pre-Enforcement Order of Priority will be credited; and (c) any sums from the liquidation of Eligible Investments deriving from funds standing to the credit of such Account, including profit generated thereby or interest accrued and paid thereon, will be credited; and *out of which* (d) funds standing from time to time to the credit thereof will be invested by the Cash Manager in Eligible Investments pursuant to the terms of the Cash Allocation, Management and Agency Agreement and deposited in the AM2 Cash Collateral Securities Account; and (e) three Business Days before each Payment Date, an amount equal to the sum standing to the balance thereof on the immediately preceding Collection Date will be transferred to the AM2 Investment Account.

The Issuer has directed the Payment Account Bank to establish and maintain the following account as a separate account in the name of the Issuer and in the interest of the Representative of the Noteholders:

(viii) the AM2 Payment Account *to which* (a) amounts due and payable to the Issuer by the Swap Counterparty under the Swap Agreement will be paid on each Swap Payment Date; (b) such amount of the Issuer Available Funds available to pay interest and/or repay principal to the Noteholders on each Payment Date in accordance with the Payments Report will be transferred from the AM2 Investment Account (and, if appropriate, the AM2 Principal Accumulation Account) by 10:00 a.m. (Milan time) two Business Days prior to each Payment Date; and *out of which* (c) on each Payment Date, payments due to be made to the Noteholders in accordance with the applicable Order of Priority will be made.

On the Issue Date, the net subscription price for the Notes will be transferred from the AM2 Payment Account to the AM2 Expenses Account and, together with the Subordinated Loan credited to the AM2 Expenses Account by the Subordinated Loan Provider, will be used to: (i) fund the Initial Disbursement Amount; (ii) pay the Initial Purchase Price to the Originator; (iii) credit the Initial Cash Collateral Amount to the AM2 Cash Collateral Account; (iv) credit the AM2 Quota Capital Account with an amount to bring the balance of such Account to Euro 10,000; and (v) pay the Closing Costs.

Except for the aforementioned Accounts, the account with Monte Titoli to which the Notes will be initially credited on the Issue Date upon their issue and any other account contemplated in the Transaction Documents, the Issuer shall not open or maintain a bank account with any person in relation to monies deriving from the Receivables or to monies or securities in any way connected to the Securitisation, without the prior written consent of the Representative of the Noteholders.

Expected Maturity and Average Life of the Notes and Assumptions

The maturity and average life of the Notes cannot be predicted, as the actual rate and timing at which amounts will be collected in respect of the Preliminary Portfolio and a number of other relevant factors are unknown.

Calculations as to the expected maturity and average life of the Notes can be made based on certain assumptions.

The table below shows the expected average life of the Notes based on the assumption that the mortgage loans are subject to a constant annual prepayment at such rates as are shown in the table below.

The weighted average life of the Notes cannot be predicted as the actual rate and timing at which amounts will be collected in respect of the Portfolio and a number of other relevant facts are unknown.

The following table shows the expected weighted average life of the Notes and was prepared based on the characteristics of the mortgage loans included in the Preliminary Portfolio and on the following additional assumptions:

(i) no Enforcement Event occurs in respect of the Notes;

(ii) the repayment of principal of the Notes commences on the Payment Date falling in January 2006;

(iii) the Issuer will exercise its option to redeem the Notes when the Outstanding Principal of the Portfolio is equal to or less than 10% of the lesser of: (i) the Outstanding Principal of the Portfolio as of the Effective Date; and (ii) Initial Purchase Price;

(iv) no defaults or delinquencies have occurred under the Mortgage Loans; and

(v) the mortgage loans are subject to a constant annual prepayment at the rates set out in the table below:

Constant prepayment rate	**Expected weighted average life (years)**		
	Class A Notes	**Class B Notes**	**Class B Notes**
0%	8.23	19.50	19.50
2%	7.15	17.50	17.50
4%	6.30	15.50	15.50
6%	5.62	14.00	14.00
8%	5.08	12.75	12.75

The constant prepayment rates shown above are purely illustrative and do not represent the full range of possibilities for constant prepayment rates.

Such assumption is stated as an average annualised prepayment rate since the prepayment rate for one Collection Period may be substantially different from the prepayment rate for another. The constant prepayment rates shown above are purely illustrative and do not represent the full range of possibilities for constant prepayment rates.

The maturity and average life of the Notes are subject to factors largely outside the control of the Issuer and consequently, no assurance can be given that the assumptions and estimates in this section will prove in any way to be realistic and they must therefore be viewed with considerable caution.

Terms and Conditions of the Notes

*The following is the text of the terms and conditions of the Class A Notes, the Class B Notes and the Class C Notes (the "**Terms and Conditions**" or the "**Conditions**" of the Notes). In these Conditions, references to the "holder" of a Class A Note, Class B Note or Class C Note, or to the Class A Noteholders, the Class B Noteholders or the Class C Noteholders, are to the ultimate owners of Class A Notes, the Class B Notes or the Class C Notes, as the case may be, issued in bearer form and dematerialised and evidenced as book entries with Monte Titoli S.p.A. ("**Monte Titoli**") in accordance with the provisions of (i) Article 28 of Legislative Decree No. 213 of 24 June 1998 and (ii) Resolution No. 11768 of 23 December 1998 of the Commissione Nazionale per le Società e la Borsa ("CONSOB"), as subsequently amended and supplemented. The Noteholders are deemed to have notice of and are bound by, and shall have the benefit of, inter alia, the terms of the Rules of the Organisation of the Noteholders (as defined below).*

The Euro 808,300,000 Class A Residential Mortgage Backed Floating Rate Notes due October 2043 (the "**Class A Notes**"), the Euro 26,800,000 Class B Residential Mortgage Backed Floating Rate Notes due October 2043 (the "**Class B Notes**") and the Euro 29,350,000 Class C Residential Mortgage Backed Floating Rate Notes due October 2043 (the "**Class C Notes**" and, together with the Class A Notes and the Class B Notes, the "**Notes**") have been issued by Argo Mortgage 2 S.r.l. (the "**Issuer**") on 23 July 2004 (the "**Issue Date**") to finance the purchase from Banca CARIGE S.p.A. ("**CARIGE**" or the "**Originator**") of a portfolio of receivables and connected rights (the "**Receivables**") due under a portfolio (the "**Portfolio**") of performing residential mortgage loans (the "**Mortgage Loans**") granted to borrowers thereunder by the Originator, by Istituto di Credito Fondiario della Liguria S.p.A. ("**ICFL**") (before its merger into CARIGE in 1994) and by certain branches of Cassa di Risparmio di Parma e Piacenza S.p.A., Cassa di Risparmio delle Provincie Lombarde and Banco Ambrosiano Veneto S.p.A. (which both merged into Banca Intesa S.p.A.), Banco di Sicilia S.p.A. and BIPOP CARIRE S.p.A. that have been transferred to CARIGE before 31 December 2003 as a result of the going concern acquisitions by CARIGE from these banks.

Any reference in these Conditions to (i) a "Class" of Notes or a "Class" of holders of Notes ("**Noteholders**") shall be construed as a reference to the Class A Notes, the Class B Notes or the Class C Notes, as the case may be, or to the respective holders thereof and (ii) any agreement or document shall be construed as a reference to such agreement or document as the same may have been, or may from time to time be, amended, varied, novated or supplemented.

The principal source of payment of amounts due and payable in respect of the Notes will be collections made in respect of the Receivables purchased by the Issuer from the Originator pursuant to a transfer agreement entered into on 25 June 2004 (as subsequently amended on 22 July 2004, the "**Transfer Agreement**") between the Issuer and the Originator. The Portfolio will be segregated from all other assets of the Issuer by operation of Italian Law No. 130 of 30 April 1999 (the "**Securitisation Law**") and amounts deriving therefrom will be available, both before and after a winding-up of the Issuer, to satisfy the obligations of the Issuer to the Noteholders, to pay amounts due to the Issuer's creditors under the Transaction Documents (as defined below) and to pay any other creditor of the Issuer in respect of costs, fees or expenses of, and any other amount payable by the Issuer to, such other creditor in relation to the securitisation of the Receivables made by the Issuer through the issuance of the Notes (the "**Securitisation**"). Amounts deriving from the Portfolio will not be available to any other creditor of the Issuer.

Under the terms of the Transfer Agreement, the Originator has given certain representations and warranties in favour of the Issuer in relation to the Portfolio and certain other matters and has agreed to indemnify the Issuer in respect of certain liabilities of the Issuer incurred in connection with the purchase and ownership of the Portfolio.

By a subscription agreement entered into on or about the Issue Date (the "**Subscription Agreement**") between the Issuer, CARIGE (as Originator under the Transfer Agreement), Deutsche Trustee Company Limited as representative of the noteholders (the "**Representative of the Noteholders**"), CDC IXIS Capital Markets, UBS Limited and WestLB AG, London Branch (together, the "**Joint Lead Managers**"), the Joint Lead Managers have agreed to subscribe for the Class A Notes, the Class B Notes and the Class C Notes and Deutsche Trustee Company Limited has been appointed as the legal representative of the Noteholders.

By a servicing agreement entered into on 25 June 2004 (as subsequently amended on 22 July 2004, the "**Servicing Agreement**") between the Issuer and CARIGE (in such capacity, the "**Servicer**"), CARIGE, as *soggetto incaricato della riscossione dei crediti ceduti e dei servizi di cassa e di pagamento*, has agreed to administer and service the Portfolio and to collect any amounts in respect of the Portfolio on behalf of the Issuer.

By a corporate services agreement entered on 25 June 2004 (the "**Corporate Services Agreement**") between the Issuer and CARIGE (in such capacity, the "**Corporate Services Provider**"), the Corporate Services Provider has agreed to provide to the Issuer certain administrative services for so long as any Note is outstanding.

By a cash allocation, management and agency agreement entered into on or about the Issue Date (the "**Cash Allocation, Management and Agency Agreement**") between the Issuer, CARIGE as account bank (the "**Account Bank**") and as cash manager (the "**Cash Manager**"), Deutsche Bank S.p.A. as payment account bank (the "**Payment Account Bank**" and, together with the Account Bank, the "**Account Banks**") and as Italian paying agent (the "**Italian Paying Agent**"), Deutsche Bank AG London as calculation agent (the "**Calculation Agent**") and principal paying agent (the "**Principal Paying Agent**" and, together with the Italian Paying Agent, the "**Paying Agents**"), Deutsche Bank Luxembourg SA as Luxembourg listing agent (the "**Luxembourg Agent**"), CDC IXIS Capital Markets, London Branch as swap calculation agent (the "**Swap Calculation Agent**") and Deutsche Trustee Company Limited as Representative of the Noteholders, the Cash Manager, the Account Banks, the Calculation Agent, the Luxembourg Agent, the Swap Calculation Agent and the Paying Agents have agreed to provide the Issuer with certain calculation, notification and reporting services together with account handling, cash management and payment services in relation to moneys or securities from time to time standing to the credit of the AM2 Collection Account, the AM2 Expenses Account, the AM2 Quota Capital Account, the AM2 Investment Account, the AM2 Principal Accumulation Account, the AM2 Payment Account, the AM2 Cash Collateral Account and the AM2 Securities Accounts (together, the "**Accounts**").

By an agreement (*Convenzione*) entered into prior to the Issue Date between Monte Titoli S.p.A. ("**Monte Titoli**") and the Issuer (the "**Monte Titoli Mandate Agreement**"), Monte Titoli has agreed to provide certain services in relation to the Notes on behalf of the Issuer.

By an intercreditor agreement entered into on or about the Issue Date (the "**Intercreditor Agreement**") by the Issuer, the Originator, the Corporate Services Provider, the Servicer, the Cash Manager, the Account Banks, the Calculation Agent, the Luxembourg Agent, the Swap Calculation Agent, the Paying Agents, the Swap Counterparty, the Subordinated Loan Provider (as defined below) and the Representative of the Noteholders (for itself, also in its capacity as Security Trustee, and on behalf of the Noteholders), provision is made as to the application of the proceeds of the Issuer Available Funds (as defined below) and as to the circumstances in which the Representative of the Noteholders will be entitled to exercise certain rights in relation to the Portfolio. (The Originator, the Representative of the Noteholders, the Security Trustee, the Corporate Services Provider, the Servicer, the Cash Manager, the Account Banks, the Calculation Agent, the Luxembourg Agent, the Paying Agents, the Swap Counterparty, the Swap Calculation Agent and the Subordinated Loan Provider are hereinafter collectively referred to as the "**Other Issuer Creditors**").

By a swap confirmation entered into further to an International Swaps and Derivatives Association, Inc. ("**ISDA**") 1992 Master Agreement (Multicurrency – Cross Border) and schedule thereto, all entered into on or about the Issue Date between the Issuer and the Swap Counterparty (together, the "**Swap Agreement**"), the Issuer has mitigated its floating rate interest exposure in relation to the Notes.

By a subordinated loan agreement governed by Italian law entered into on the Issue Date (the "**Subordinated Loan Agreement**") between the Issuer and CARIGE (in such capacity, the "**Subordinated Loan Provider**"), the Subordinated Loan Provider has granted the Issuer a limited recourse subordinated loan (the "**Subordinated Loan**") in an amount equal to Euro 22,753,000.

By a deed of pledge governed by Italian Law executed by the Issuer on or about the Issue Date (the "**Italian Deed of Pledge**") the Issuer, *inter alia*, has granted in favour of the Noteholders and the Other Issuer Creditors a first priority pledge over: (i) all monetary claims and rights and all the amounts (including payment for claims, indemnities, damages, penalties, credits and guarantees) to which the Issuer is entitled pursuant to the Transaction Documents (other than the Security Documents, the Swap Agreement and the Subscription Agreement) to which the Issuer is a party; (ii) any existing or future pecuniary claim and right and any sum credited from time to time to the AM2 Collection Account (other than the Excluded Collections (as defined in Condition 1 below)), the AM2 Payment Account (other than the amounts deriving from the subscription price of the Notes), the AM2 Investment Account, the AM2 Principal Accumulation Account and the AM2 Cash Collateral Account managed pursuant to the provisions of the Cash Allocation, Management and Agency Agreement, except for any amount provided by or on behalf of the Swap Counterparty as collateral and the cash benefit of any Tax Credit due to the Swap Counterparty; and (iii) the Eligible Investments and all dividends, interest and other monies payable in respect thereof and all other rights, benefits and proceeds deriving therefrom.

By a deed of charge governed by English Law executed by the Issuer on or about the Issue Date (the "**English Deed of Charge**" and, together with the Italian Deed of Pledge, the "**Security Documents**"), the Issuer has

assigned and charged all of the Issuer's rights, title, interest and benefit (present and future) in, to and under the Swap Agreement and the Subscription Agreement in favour of Deutsche Trustee Company Limited (in such capacity, the "**Security Trustee**") for itself and on trust for the Noteholders and the other Issuer Secured Creditors.

By a mandate agreement entered into on or about the Issue Date (the "**Mandate Agreement**") between the Issuer and the Representative of the Noteholders, the Representative of the Noteholders is authorised to exercise, in the name and on behalf of the Issuer, (a) subject to an Enforcement Notice being served upon the Issuer following the occurrence of an Enforcement Event (each such term as defined in Condition 11 below), all the Issuer's rights arising out of the Transaction Documents (other than the right to collect and recover Receivables under the Servicing Agreement) to which the Issuer is a party and the Issuer's rights in respect of the Receivables, including the right to direct the sale (in whole or in part) of the Portfolio, provided that a sufficient amount will be realised to allow the discharge in full of all amounts due and payable to the Noteholders and the amounts ranking (in accordance with Condition 5 below) in priority thereto or *pari passu* therewith; and (b) upon any failure by the Issuer to exercise its rights under the Transaction Documents against any party in default to procure the remedy of such default, all the Issuer's rights arising under such Transaction Documents against the defaulting counterparty, if such failure has not been remedied by the Issuer within a period of 30 days after notification by the Representative of the Noteholders (or such shorter time period as the Representative of the Noteholders shall from time to time consider necessary in order to avoid any material prejudice to the interest of the Noteholders (or any of them)).

By a quotaholders' agreement entered into on or about the Issue Date (the "**Quotaholders' Agreement**") between Stichting Faro, Columbus, the Representative of the Noteholders and the Issuer, certain rules have been set forth, *inter alia*, in relation to the corporate management of the Issuer.

A Euro denominated account (the "**AM2 Collection Account**") has been established in the name of the Issuer which will be held with the Account Bank to which the amounts collected in connection with the Portfolio will be credited and (save for the Excluded Collections, if any), all amounts standing to the credit thereof will be transferred to the AM2 Investment Account at the closing of business of each Local Business Day.

A Euro denominated account (the "**AM2 Expenses Account**") has been established in the name of the Issuer which will be held with the Account Bank and to which an amount of Euro 80,000 (the "**Initial Disbursement Amount**") will be retained on the Issue Date out of the funds received by the Issuer pursuant to the Subordinated Loan Agreement and thereafter on each Payment Date an amount equal to the Issuer Disbursement Amount (as defined below) will be credited out of the Issuer Available Funds in accordance with the applicable Order of Priority.

A Euro denominated account (the "**AM2 Quota Capital Account**") has been established in the name of the Issuer which will be held with the Account Bank and to which all sums contributed by the quotaholders of the Issuer as quota capital will be credited.

A Euro denominated account (the "**AM2 Investment Account**") has been established in the name of the Issuer which will be held with the Account Bank and to which, (i) sums standing from time to time to the credit of the AM2 Collection Account (other than the Excluded Collections, if any) will be credited at the end of each Local Business Day; (ii) amounts received by the Issuer under the relevant Transaction Documents except the Swap Agreement (other than the Collections and any other sums deriving from the Portfolio) will be deposited (save as otherwise specifically provided); (iii) three Business Days before each Payment Date, the amount standing to the credit of the AM2 Cash Collateral Account on the immediately preceding Collection Date will be transferred from the AM2 Cash Collateral Account; and out of which (iv) such amount of the Issuer Available Funds available to pay interest and/or repay principal on the Notes to the Noteholders on each Payment Date in accordance with the Payments Report will be transferred two Business Days prior to the relevant Payment Date to the AM2 Payment Account (less, on the First Principal Repayment Date only, the amount standing to the credit of the AM2 Principal Accumulation Account and available for such purpose, which will be transferred to the AM2 Payment Account from the AM2 Principal Accumulation Account); and (v) on each Payment Date, payments due to parties other than the Noteholders will be made in accordance with the Payments Report.

A Euro-denominated account (the "**AM2 Principal Accumulation Account**") has been established in the name of the Issuer which will be held with the Account Bank and to which on each Payment Date prior to the Payment Date falling in January 2006, all sums payable under item (xii) of Condition 5.1 (*Pre-Enforcement Order of Priority*) or, as the case may be, items (ix), (xi) and (xiii) of Condition 5.2 (*Post-Enforcement Order of Priority*) will be paid. On the First Principal Repayment Date (as defined in Condition 1 below), all sums standing to the credit of the AM2 Principal Accumulation Account will form part of the Issuer Available Funds. If the Issuer Available Funds on any Payment Date prior to (but excluding) the Payment Date falling in January 2006 are

insufficient to satisfy the Issuer's payment obligations under items (i) to (xi) (inclusive) of the Pre-Enforcement Order of Priority or, as the case may be, items (i) to (viii) (inclusive) of the Post-Enforcement Order of Priority, the Issuer Available Funds shall, on such Payment Date, also include an amount not exceeding the balance of the AM2 Principal Accumulation Account on the immediately preceding Collection Date in order to enable the Issuer to satisfy the aforementioned payment obligations.

A Euro denominated account (the "**AM2 Cash Collateral Account"**) has been established in the name of the Issuer which will be held with the Account Bank and to which Euro 16,425,000 (the "**Initial Cash Collateral Amount**") will be deposited on the Issue Date and thereafter on each Payment Date prior to the delivery of an Enforcement Notice, all sums payable under item (xviii) of the Pre-Enforcement Order of Priority will be credited. Three Business Days before each Payment Date, the amount standing to the credit of the AM2 Cash Collateral Account on the immediately preceding Collection Date will be transferred to the AM2 Investment Account.

Amounts on deposit in each of the AM2 Investment Account, the AM2 Principal Accumulation Account and the AM2 Cash Collateral Account may be invested in Eligible Investments pursuant to the terms of the Cash Allocation, Management and Agency Agreement.

Three securities accounts (namely, the "**AM2 Investment Securities Account**", the "**AM2 Principal Accumulation Securities Account**" and the "**AM2 Cash Collateral Securities Account**" and together, the "**AM2 Securities Accounts**") have been established in the name of the Issuer which will be held with the Account Bank and to which all securities constituting Eligible Investments deriving from the investment of funds standing to the credit of the AM2 Investment Account, the AM2 Principal Accumulation Account and the AM2 Cash Collateral Account, respectively, will be deposited from time to time and pledged in accordance with the provisions of the Intercreditor Agreement and the Italian Deed of Pledge.

A Euro denominated account (the "**AM2 Payment Account**") has been established in the name of the Issuer which will be held with the Payment Account Bank to which (a) amounts due and payable to the Issuer by the Swap Counterparty under the Swap Agreement will be paid on each Swap Payment Date; (b) such amount of the Issuer Available Funds available to pay interest and/or repay principal to the Noteholders on each Payment Date in accordance with the Payments Report will be transferred from the AM2 Investment Account (and, if appropriate, the AM2 Principal Accumulation Account) two Business Days before each Payment Date; and out of which (c) on each Payment Date, payments due to be made to the Noteholders in accordance with the applicable Order of Priority will be made. On the Issue Date, the net subscription price for the Notes will be transferred from the AM2 Payment Account to the AM2 Expenses Account and, together with the Subordinated Loan credited to the AM2 Expenses Account by the Subordinated Loan Provider, will be used to: (i) fund the Initial Disbursement Amount; (ii) pay the Initial Purchase Price to the Originator; (iii) credit the Initial Cash Collateral Amount to the AM2 Cash Collateral Account; (iv) credit the AM2 Quota Capital Account with an amount to bring the balance of such Account to Euro 10,000; and (v) pay the Closing Costs.

Certain provisions of these Conditions are summaries of the Intercreditor Agreement, the Transfer Agreement, the Corporate Services Agreement, the Servicing Agreement, the Swap Agreement, the Subscription Agreement, the Cash Allocation, Management and Agency Agreement, the Subordinated Loan Agreement, the Mandate Agreement, the Security Documents, the Monte Titoli Mandate Agreement, the Rules of the Organisation of the Noteholders and the Quotaholders' Agreement (together with these Conditions, the "**Transaction Documents**") and are subject to their detailed provisions.

Copies of the Transaction Documents are available for inspection during normal business hours at the office for the time being of the Representative of the Noteholders, being, as at the Issue Date Deutsche Trustee Company Limited, 1 Great Winchester Street, London EC2N 2DB, United Kingdom and at the registered office of the Luxembourg Agent, being, at the Issue Date, Deutsche Bank Luxembourg SA, 2 Boulevard Konrad Adenauer, 1115 Luxembourg.

The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents which are applicable to them.

The rights and powers of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders (the "**Noteholders**") may only be exercised in accordance with the rules of the organisation of the Noteholders (respectively, the "**Rules of the Organisation of the Noteholders**" and the "**Organisation of the Noteholders**") attached hereto and which form an integral and substantive part of these Conditions.

1. Recitals, Exhibits and Definitions

1.1 The Recitals and the Exhibits hereto constitute an integral and essential part of these Conditions and shall have the force of and shall take effect as covenants by the Issuer.

1.2 In these Conditions:

"**Arrangers**" means CDC IXIS Capital Markets, UBS Investment Bank and West LB AG.

"**Available Redemption Amount**" means:

(A) prior to the delivery of an Enforcement Notice:

(i) in the case of the Class A Notes, the lesser of: (x) the Issuer Available Funds in respect of the relevant Payment Date less the aggregate of the payments described under items (i) to (xii) (inclusive) of Condition 5.1 (*Pre-Enforcement Order of Priority*); and (y) the Class A Amortisation Amount on such Payment Date;

(ii) in the case of the Class B Notes, the lesser of: (x) the Issuer Available Funds in respect of the relevant Payment Date less the aggregate of the payments described under items (i) to (xiv) (inclusive) of Condition 5.1 (*Pre-Enforcement Order of Priority*); and (y) the Class B Amortisation Amount on such Payment Date;

(iii) in the case of the Class C Notes, the lesser of: (x) the Issuer Available Funds in respect of the relevant Payment Date less the aggregate of the payments described under items (i) to (xvi) (inclusive) of Condition 5.1 (*Pre-Enforcement Order of Priority*); and (y) the Class C Amortisation Amount on such Payment Date;

(B) following the delivery of an Enforcement Notice:

(i) in the case of the Class A Notes, the lesser of: (x) the Issuer Available Funds in respect of the relevant Payment Date less the aggregate of the payments described under items (i) to (viii) (inclusive) of Condition 5.2 (Post-Enforcement Order of Priority); and (y) the Principal Amount Outstanding of the Class A Notes on such Payment Date;

(ii) in the case of the Class B Notes, the lesser of: (x) the Issuer Available Funds in respect of the relevant Payment Date less the aggregate of the payments described under items (i) to (x) (inclusive) of Condition 5.2 (Post-Enforcement Order of Priority); and (y) the Principal Amount Outstanding of the Class B Notes on such Payment Date;

(iii) in the case of the Class C Notes, the lesser of: (x) the Issuer Available Funds in respect of the relevant Payment Date less the aggregate of the payments described under items (i) to (xii) (inclusive) of Condition 5.2 (Post-Enforcement Order of Priority); and (y) the Principal Amount Outstanding of the Class C Notes on such Payment Date.

"**Business Day**" shall mean a day (other than a Saturday or Sunday) on which banks are generally open for business in London, Milan, Genoa and Luxembourg and on which the Trans-European Automated Real Time Gross-Settlement Express Transfer System (or any successor thereto) is open.

"**Calculation Date**" means the 20th day of January, April, July and October (or, if any such day is not a Business Day, the immediately preceding Business Day).

"**Class A Amortisation Amount**" means an amount equal to the lower of:

(a) the aggregate Principal Amount Outstanding of the Class A Notes as at the immediately preceding Collection Date; and

(b) the greater of:

(i) nil; and

(ii) the aggregate Principal Amount Outstanding of the Class A Notes, the Class B Notes and the Class C Notes, less the aggregate Outstanding Principal of the Collateral Portfolio, in each case, as at the immediately preceding Collection Date.

"**Class B Amortisation Amount**" means an amount equal to the lower of:

(a) the aggregate Principal Amount Outstanding of the Class B Notes as at the immediately preceding Collection Date; and

(b) the greater of:

(i) nil; and

(ii) the aggregate Principal Amount Outstanding of the Class B Notes and the Class C Notes, less the aggregate Outstanding Principal of the Collateral Portfolio, in each case, as at the immediately preceding Collection Date.

"**Class C Amortisation Amount**" means an amount equal to the lower of:

(a) the aggregate Principal Amount Outstanding of the Class C Notes as at the immediately preceding Collection Date; and

(b) the greater of:

(i) nil; and

(ii) the aggregate Principal Amount Outstanding of the Class C Notes, less the aggregate Outstanding Principal of the Collateral Portfolio, in each case, as at the immediately preceding Collection Date.

"**Closing Costs**" means the closing costs and expenses in connection with the issue of the Notes which shall be paid by the Issuer on the Issue Date, including, for the avoidance of doubt, the up front payment due from the Issuer to the Swap Counterparty pursuant to the Swap Agreement.

"**Collateral Portfolio**" means the Portfolio less: (i) any Mortgage Loans which are Defaulted Receivables and Non-performing Receivables, and (ii) any indemnity payments, Advance Indemnity and Limited Recourse Loan received by the Issuer from the Originator pursuant to Clauses 7 and 8 of the Transfer Agreement and any amount received by the Issuer further to renegotiation by the Servicer of the interest rate applicable under a Mortgage Loan Agreement or of the penalty payable upon prepayment of a Mortgage Loan or of the due dates of the Instalments, pursuant to Clauses 3.3, 3.4 and 3.5, respectively of the Servicing Agreement; and (iii) any indemnity payments received by the Issuer from the Servicer pursuant to Clause 12.1 of the Servicing Agreement.

"**Collection Date**" means the first calendar day of January, April, July and October in each year, the first Collection Date being 1 July 2004.

"**Collection Period**" means each period commencing on (but excluding) a Collection Date and ending on (and including) the next succeeding Collection Date, and in the case of the first Collection Period, commencing on (and including) 1 July 2004 and ending on (and including) 30 September 2004, provided that following the delivery of an Enforcement Notice upon the occurrence of an Insolvency Event, references to the Collection Period shall be deemed to refer to the relevant period on the basis of which the Calculation Agent has, in the Payments Report, calculated the Issuer Available Funds.

"**Collections**" means all amounts under whatsoever title received by CARIGE in its capacity as Servicer in respect of the Receivables comprised in the Portfolio, including, without limitation, all amounts received by way of repayment of principal and payment of interest and expenses in connection with the Receivables or the realisation value of the Real Estate Assets following enforcement proceedings or any other compensation, including insurance compensation, inclusive of interest and expenses, in relation to the Receivables, as well as any other amount recovered further to out-of-court settlements including, without limitation, agreements to amend the instalments due dates and/or advance repayment.

"**Cumulative Default Ratio**" means, with reference to any Collection Date, the percentage equivalent to a fraction the numerator of which is equal to the cumulative Defaulted Amounts of all the preceding Collection Periods minus any amount recovered in respect of Defaulted Receivables and Non-performing Receivables to (and including) such Collection Date; and the denominator of which is equal to the Outstanding Principal as of the Effective Date of the Mortgage Loans comprised in the Portfolio.

"**Decree 239 Deduction**" means any withholding or deduction for or on account of "*imposta sostitutiva*" under Legislative Decree No. 239 of 1 April 1996, as amended by Italian Law No. 409 and No. 410 of 23 November 2001 and as subsequently amended and supplemented.

"**Defaulted Amount**" means, with reference to each Collection Period, the aggregate outstanding (including any due but unpaid) Principal Instalments of: (i) the Mortgage Loans that became Defaulted Receivables ; and (ii) the Mortgage Loans (other than Mortgage Loans under point (i) above) that became Non-performing Receivables, during such Collection Period.

"**Defaulted Receivable**" (*Crediti Insoluti*) means any Receivable which, as at the end of a Collection Period, had 7 or more monthly Delinquent Instalments or 3 or more six-monthly Delinquent Instalments and which has not been classified as non-performing (*in sofferenza*) in accordance with the relevant provisions of the Bank of Italy.

"**Deferred Purchase Price**" means in relation to any Payment Date an amount (if positive) equal to:

(a) all interest accrued in respect of the Portfolio during the Collection Period immediately preceding such Payment Date (except for the Excluded Collections); *plus*

(b) any other amount (other than Principal Instalments) deriving from the Mortgage Loan Agreements (including, but not limited to, penalties for prepayment, if any) received during the Collection Period immediately preceding such Payment Date; *plus*

(c) default interest (if any) accrued on the Portfolio during the Collection Period immediately preceding such Payment Date; *plus*

(d) any interest accrued on the Accounts in the Collection Period immediately preceding such Payment Date; *plus*

(e) any profit (including capital gain, if any) generated by or interest accrued on the Eligible Investments deriving from the investment of funds standing to the credit of the AM2 Investment Account, the AM2 Principal Accumulation Account and the AM2 Cash Collateral Account in the Collection Period immediately preceding such Payment Date; *plus*

(f) all amounts (other than Principal Instalments) received by the Issuer from the Originator pursuant to the Transfer Agreement during the Collection Period immediately preceding such Payment Date; *plus*

(g) all amounts paid to the Issuer on the Swap Payment Date immediately preceding such Payment Date under the terms of the Swap Agreement; *plus*

(h) all capital gains made from the sale, during the Collection Period immediately preceding such Payment Date, of all or part of the Portfolio; *plus*

(i) any other amount not deriving from the Receivables and which are not included in the foregoing items (a), (b), (c), (d), (e), (f), (g) and (h) received by the Issuer during the Collection Period immediately preceding such Payment Date; *less*

(j) all costs, expenses, taxes and other charges which become payable by or accrued to the Issuer under items (i) to (vii) (inclusive) of the Pre-Enforcement Order of Priority or, as the case may be, items (i), (ii), (iii), (iv), (v), (vi) and (xv) of the Post Enforcement Order of Priority; *less*

(k) the Interest Amounts on the Notes in respect of the Interest Period ending on (but excluding) such Payment Date; *less*

(l) all amounts payable to the Swap Counterparty on such Payment Date; *less*

(m) all amounts to be paid by the Issuer to the Originator pursuant to the Transfer Agreement during the Collection Period immediately preceding such Payment Date; *less*

(n) the capital loss (if any) made from the Eligible Investments deriving from the investment of funds standing to the credit of the AM2 Investment Account, the AM2 Principal Accumulation Account and the AM2 Cash Collateral Account during the Collection Period immediately preceding such Payment Date; *less*

(o) any loss incurred, or expected to be incurred, in respect of the Receivables during the Collection Period immediately preceding such Payment Date.

"**Delinquent Instalment**" (*Rata Insoluta*) means any Instalment that remains unpaid for 25 days or more after its scheduled payment date.

"**Delinquent Receivable**" (*Credito in Ritardo*) means any Receivable, other than a Defaulted Receivable or a Non-performing Receivable, in respect of a Mortgage Loan Agreement in relation to which there was at least one Delinquent Instalment as at the end of a Collection Period.

"**Effective Date**" means the date from which the economic effects of the Transfer Agreement shall occur, being 30 June 2004 (hour 23.59).

"**Eligible Institution**" means a depository institution organised under the laws of any state which is a member of the European Union or of the United States, the short-term unsecured and unsubordinated debt obligations of which are rated at least: (i) P-1 by Moody's and F1 by Fitch; or (ii) if a rating is not available from Moody's, F1 by Fitch and A-1 by S&P, *provided that* Deutsche Bank S.p.A. in its capacity as Payment Account Bank shall be deemed to be an Eligible Institution if: (a) the rating of Deutsche Bank AG's

unsecured, unsubordinated and unguaranteed debt obligation is equal to or above "F1" by Fitch and "P-1" by Moody's in respect of its short-term debt and "A1" by Moody's in respect of its long-term debt; (b) Deutsche Bank S.p.A. is included in the declaration of backing of the last available financial statements of Deutsche Bank AG; and (c) Deutsche Bank AG holds at least a 90% interest in Deutsche Bank S.p.A..

"**Eligible Investments**" means any senior, unsubordinated debt security, investment, commercial paper or other debt instrument issued by, or fully and unconditionally guaranteed by, an institution having at least the applicable rating by Fitch and Moody's for the maturity of such investment set forth below:

Maturity	**Moody's**	**Fitch**
More than 12 month	Aaa	AAA
12 months or less	Aaa	F1+
Less than 6 months	Aa3 and P-1	F1+
Less than 3 months	A1 and P-1	F1+
Less than 1 month	A2 or P-1	F1

or, if a rating of such investment is not available from Fitch, by Moody's and S&P for the maturity of such investment set forth below:

Maturity	**Moody's**	**S&P**
Less than 3 months	A1 and P-1	A-1
Less than 1 month	A2 or P-1	A-1

or, if a rating of such investment is not available from Moody's, by Fitch and S&P for the maturity of such investment set forth below:

Maturity	**Fitch**	**S&P**
Less than 3 months	F1+	A-1
Less than 1 month	F1	A-1

or any deposit placed with a banking institution in Italy which qualifies as an Eligible Institution, *provided always that* any such investment, paper, deposit or instrument (a) has, in the case of Eligible Investments other than those deriving from the investment of funds standing to the credit of the AM2 Principal Accumulation Account, a maturity date falling not beyond the immediately succeeding Collection Date and, in the case of any Eligible Investments deriving from funds standing to the credit of the AM2 Principal Accumulation Account, a maturity date falling not beyond the Collection Date immediately preceding the Payment Date falling in January 2006 and may be disposed at any time without penalty; (b) is not subject to any Decree 239 Deduction or withholding pursuant to Article 26.3 *bis* of Presidential Decree 600/1973, in each case, as subsequently amended or supplemented; (c) does not provide for any costs and/or deductions affecting principal repayments in respect thereof and *provided further that* the purchase price of such Eligible Investment must not be above its nominal value.

"**Euro-zone**" means the region comprised of member states of the European Union that adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957) as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992) as subsequently amended and supplemented.

"**Excluded Collections**" means, in connection with each Receivable in respect of which the Originator has granted an Advance Indemnity or a Limited Recourse Loan pursuant to, respectively, Clause 7.5 and Clause 8 of the Transfer Agreement, amounts recovered in respect thereof up to an amount equivalent to the corresponding Advance Indemnity plus interest thereon (only to the extent of the collections deriving from the Receivables in respect of which the Advance Indemnity was granted) or, as the case may be, Limited Recourse Loan, which will be calculated and notified by the Servicer to the Issuer and the Account Bank in accordance with the provisions of the Servicing Agreement.

"**Extraordinary Resolution**" means an extraordinary resolution of the meeting of the holders of the relevant Class of Notes held in accordance with the Rules of the Organisation of the Noteholders.

"**First Principal Repayment Date**" means the Payment Date falling in January 2006 or, if earlier, the Payment Date immediately succeeding (a) the delivery of an Enforcement Notice upon the occurrence of an Insolvency Event or (b) early redemption of the Notes of all Classes under Condition 7.4 (*Redemption for taxation*).

"**Fitch**" means Fitch Ratings Limited.

"**Individual Purchase Price**" means the individual purchase price of each Receivable, being the outstanding principal of each Mortgage Loan as of the Effective Date.

"**Initial Principal Amount**" means the principal amount of the Notes of the relevant Class on the Issue Date.

"**Initial Purchase Price**" means Euro 864,518,384.35, being the sum of the Individual Purchase Price of all Receivables comprised in the Portfolio.

"**Insolvency Event**" means each of the events described under Condition 11.1(c).

"**Interest Determination Date**" means the second Business Day before each Payment Date. In relation to the Initial Interest Period, the Interest Determination Date is the second Business Day before the Issue Date.

"**Interest on the Initial Purchase Price**" means the amount of interest accrued on the Initial Purchase Price from the Effective Date to the date of payment at three month Euribor pursuant to Clause 3.3 of the Transfer Agreement.

"**Issuer Available Funds**" means, in relation to a Payment Date:

(a) all the sums received or recovered by the Issuer from or in respect of the Receivables during the Collection Period immediately preceding such Payment Date, except for the Excluded Collections;

(b) all amounts paid to the Issuer on the Swap Payment Date immediately preceding such Payment Date under the terms of the Swap Agreement, provided that (i) any amount provided by or on behalf of the Swap Counterparty as collateral; and (ii) the cash benefit of any Tax Credit (such term as defined in the Swap Agreement) due to the Swap Counterparty, shall not form part of the Issuer Available Funds;

(c) all amounts received by the Issuer pursuant to the Transfer Agreement during the Collection Period immediately preceding such Payment Date;

(d) any profit generated by or interest accrued and paid on the Eligible Investments in the Collection Period immediately preceding such Payment Date;

(e) any amount standing to the credit of the AM2 Cash Collateral Account on the Collection Date immediately preceding such Payment Date;

(f) any interest accrued on and credited to the AM2 Expenses Account, the AM2 Collection Account, the AM2 Investment Account, the AM2 Principal Accumulation Account and the AM2 Cash Collateral Account, in each case, in the Collection Period immediately preceding such Payment Date;

(g) any other amount, not included in the foregoing items (a), (b), (c), (d), (e) or (f), received by the Issuer and deposited in the AM2 Collection Account and/or the AM2 Investment Account during the Collection Period immediately preceding such Payment Date; and

(h) all amounts received from the sale of all or part of the Portfolio should such sale occur and proceeds (if any) from the enforcement of the Issuer's Rights,

provided that:

(i) subject to (ii) below, amounts set aside to the AM2 Principal Accumulation Account on Payment Date(s) prior to (but excluding) the First Principal Repayment Date (except for the amounts set aside to the AM2 Principal Accumulation Account on the Payment Date immediately preceding the First Principal Repayment Date) will not form part of the Issuer Available Funds on the Payment Date(s) immediately succeeding each such Payment Date(s). On the First Principal Repayment Date, the amount standing to the balance of the AM2 Principal Accumulation Account will form part of the Issuer Available Funds on such date; and

(ii) if the Issuer Available Funds on any Payment Date prior to (but excluding) the Payment Date falling in January 2006, so calculated, are insufficient to satisfy the Issuer's payment obligations under items (i) to (xi) (inclusive) of the Pre- Enforcement Order of Priority or, as the case may be, items (i) to (viii) (inclusive) of the Post-Enforcement Order of Priority, the Issuer Available Funds shall, on such Payment Date, also include an amount not exceeding the balance of the AM2 Principal Accumulation Account on the immediately preceding Collection Date in order to enable the Issuer to satisfy the aforementioned payment obligations.

"**Issuer Disbursement Amount**" means

(a) on each Payment Date, the difference between (x) Euro 80,000; and (y) the amount standing to the credit of the AM2 Expenses Account on the immediately preceding Collection Date; or

(b) on the Final Maturity Date or, if earlier, the Payment Date on which the Notes will be redeemed in full, the lesser of (x) the amount referred to in (a); and (y) such amount as is required to pay under items (i), (ii) and (iv) of the Pre-Enforcement Order of Priority or the Post-Enforcement Order of Priority.

"**Issuer Secured Creditors**" means the Security Trustee in its own capacity and as security trustee under the English Deed of Charge, the Noteholders, any receiver appointed under the English Deed of Charge, the Originator, the Account Banks, the Servicer, the Subordinated Loan Provider, the Corporate Services Provider, the Cash Manager, the Calculation Agent, the Luxembourg Agent, the Representative of the Noteholders, the Swap Counterparty, the Swap Calculation Agent and the Paying Agents.

"**Issuer's Rights**" mean the Issuer's rights under the Transaction Documents.

"**Moody's**" means Moody's Investors Service Inc.

"**Non-performing Receivable**" (*Crediti in Sofferenza*) means any of the Receivables classified as *in sofferenza* in accordance with the relevant provisions of the Bank of Italy.

"**Outstanding Principal**" means, on any date and with respect to each Mortgage Loan, the aggregate outstanding Principal Instalments scheduled to be paid after such date (excluding, for the avoidance of doubt, any overdue and unpaid Principal Instalments).

"**Payments Report**" means the report prepared by the Calculation Agent pursuant to the Cash Allocation, Management and Agency Agreement.

"**Performing Receivable**" (*Crediti in Bonis*) means any Receivable other than a Delinquent Receivable, a Defaulted Receivable or a Non-performing Receivable.

"**Principal Amortisation Amount**" means, on each Payment Date falling before January 2006, the greater of (i) nil; and (ii) an amount equal to:

(a) the aggregate Principal Amount Outstanding of the Class A Notes, the Class B Notes and the Class C Notes as at the immediately preceding Collection Date, *less*

(b) the aggregate Outstanding Principal of the Collateral Portfolio as at the immediately preceding Collection Date, *less*

(c) such amount set aside by way of Principal Amortisation Amount on preceding Payment Date(s) less any such amount that has been included in the Issuer Available Funds on preceding Payment Date(s) as a result of the insufficiency of the Issuer Available Funds to satisfy the Issuer's payment obligations under items (i) to (xi) (inclusive) of the Pre- Enforcement Order of Priority or, as the case may be, items (i) to (viii) (inclusive) of the Post-Enforcement Order of Priority.

"**Principal Amount Outstanding**" means, on any day:

(a) in relation to each Class of Notes, the aggregate principal amount outstanding of all Notes in such Class;

(b) in relation to a Note, the principal amount of that Note upon issue less the aggregate amount of all Principal Payments in respect of that Note that have been repaid on or prior to that date.

"**Principal Instalments**" means, in relation to each Mortgage Loan, the periodic scheduled repayments of principal due to be made pursuant to such Mortgage Loan Agreement.

"**Purchase Price**" means the purchase price of all Receivables purchased by the Issuer pursuant to the Transfer Agreement, being the sum of: (a) the Initial Purchase Price ; and (b) the Deferred Purchase Price.

"**Rating Agencies**" means Moody's and Fitch.

"**Reference Banks**" means three (3) major banks in the Euro-zone inter-bank market selected from time to time by the Calculation Agent and approved by the Issuer.

"**Relevant Date**" means, in respect of a Note, the date on which a payment in respect thereof first becomes due and payable or (if the full amount of the moneys payable in respect of all the Notes and accrued on or before that date has not been duly received by the Paying Agents or the Representative of the Noteholders

on or prior to such date) the date on which notice that the full amount of such moneys has been received is duly given to the Noteholders in accordance with Condition 14 (*Notices*).

"**Relevant Margin**" means:

- 0.18% per annum in respect of the Class A Notes;
- 0.32% per annum in respect of the Class B Notes; and
- 0.83% per annum in respect of the Class C Notes.

"**Representative of the Noteholders**" means Deutsche Trustee Company Limited, in its capacity as representative of the Noteholders pursuant to the Subscription Agreement and its permitted successors or assigns from time to time.

"**Rules of the Organisation of the Noteholders**" means the By-laws of the Organisation of the Noteholders, attached hereto under Exhibit 1.

"**Scheduled Cash Collateral Amount**" means an amount equal to:

(a) if the Cumulative Default Ratio as of the last preceding Collection Date is higher than 6%, Euro 18,590,000; or

(b) if the Cumulative Default Ratio as of the last preceding Collection Date is lower than or equal to 6%:

  (i) the Initial Cash Collateral Amount; or

  (ii) upon and following redemption of 50% (fifty per cent) of the Initial Principal Amount of the Class A Notes, Euro 7,600,000; or

  (iii) upon and following redemption in full of the Class B Notes, the lower of (x) the Principal Outstanding Amount of the Class C Notes and (y) Euro 3,800,000.

"**Security Interest**" means any mortgage, charge, guarantee, pledge, lien, encumbrance, right of set-off, special privilege (*privilegio speciale),* assignment by way of security, retention of title or any other security interest whatsoever or any other agreement or arrangement having the effect of conferring security.

"**Servicing Fee**" means an amount equal to, on each Payment Date: (a) 0.4% of the Collections collected by the Servicer during the immediately preceding Collection Period in respect of any Receivable classified as Performing Receivable, Delinquent Receivable or Defaulted Receivable; plus (b) 4.0% of the Collections collected by the Servicer during the immediately preceding Collection Period in respect of any Non-performing Receivable.

"**S&P**" means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies Inc.

"**Swap Payment Date**" means the second Business Day prior to each Payment Date.

2. Form, Denomination, Status

2.1 The Class A Notes, the Class B Notes and the Class C Notes are in bearer form and dematerialised and will be wholly and exclusively deposited with Monte Titoli in accordance with Article 28 of Italian Legislative Decree No. 213 of 24 June 1998, through the authorised institutions listed in Article 30 of such Legislative Decree.

2.2 The Class A Notes, the Class B Notes and the Class C Notes will be held by Monte Titoli on behalf of the Noteholders until redemption for the account of the relevant Monte Titoli Account Holder. The expression "**Monte Titoli Account Holder**" means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli. Title to the Notes will be evidenced by one or more book entries in accordance with the provisions of (i) Article 28 of Italian Legislative Decree No. 213 of 24 June 1998 and (ii) CONSOB Resolution No. 11768 of 23 December 1998, as amended by CONSOB Resolution No. 12497 of 20 April 2000 and as subsequently amended and supplemented. No physical document of title will be issued in respect of the Notes.

2.3 The Notes shall be issued in the denomination of Euro 50,000.

2.4 Each Note is issued subject to and with the benefit of the Security Documents.

3. Status, Priority and Segregation

3.1 The Notes constitute secured limited recourse obligations of the Issuer and, accordingly, the extent of the obligation of the Issuer to make payments under the Notes is conditional upon the receipt and recovery by

the Issuer of amounts due, and is limited to the extent of any amounts received or recovered by the Issuer, in each case, in respect of the Portfolio and the other Issuer's Rights. The Noteholders acknowledge that the limited recourse nature of the Notes produces the effects of a "*contratto aleatorio*" under Italian law and are deemed to accept the consequences thereof, including but not limited to the provisions under Article 1469 of the Italian Civil Code.

3.2 The Notes are secured over certain assets of the Issuer pursuant to the Security Documents and in addition, by operation of Italian law, the Issuer's right, title and interest in and to the Portfolio is segregated from all other assets of the Issuer. Amounts deriving therefrom will only be available, both prior to and following the winding-up of the Issuer, to satisfy the obligations of the Issuer to the Noteholders and the Other Issuer Creditors in the order of priority set out in Condition 5 (*Order of Priority*) and to any third party creditors in respect of costs, fees and expenses incurred by the Issuer to such third party creditors in relation to the Securitisation.

3.3 The Notes of each Class will rank *pari passu* and without any preference or priority among themselves.

3.4 In respect of the obligation of the Issuer to pay interest on the Notes before the delivery of an Enforcement Notice upon the occurrence of an Enforcement Event, the Class A Notes will rank *pari passu* without preference or priority amongst themselves and in priority to the Class B Notes and the Class C Notes; the Class B Notes will rank *pari passu* without preference or priority amongst themselves and in priority to the Class C Notes but subordinated to the Class A Notes; and the Class C Notes will rank *pari passu* without preference or priority amongst themselves but subordinated to the Class A Notes and the Class B Notes.

In respect of the obligation of the Issuer to repay principal on the Notes before the delivery of an Enforcement Notice upon the occurrence of an Enforcement Event, the Class A Notes will rank *pari passu* without preference or priority amongst themselves and in priority to the Class B Notes and the Class C Notes; the Class B Notes will rank *pari passu* without preference or priority amongst themselves and in priority to the Class C Notes but subordinated to the Class A Notes; and the Class C Notes will rank pari passu without preference or priority amongst themselves but subordinated to the Class A Notes and the Class B Notes.

After the delivery of an Enforcement Notice upon the occurrence of an Enforcement Event, in respect of the obligation of the Issuer to pay interest and repay principal on the Notes, the Class A Notes will rank *pari passu* without preference or priority amongst themselves and in priority to the Issuer's obligation to pay interest and repay principal on the Class B Notes and the Class C Notes; the Class B Notes will rank *pari passu* without preference or priority amongst themselves and in priority to the Issuer's obligation to pay interest and repay principal on the Class C Notes but subordinated to the Issuer's obligation to pay interest and repay principal on the Class A Notes; and the Class C Notes will rank *pari passu* without preference or priority amongst themselves but subordinated to the Issuer's obligation to pay interest and repay principal on the Class A Notes and the Class B Notes.

3.5 As long as the Notes of a Class ranking in priority to the other Classes of Notes are outstanding, unless notice has been given to the Issuer declaring the Notes of such Class due and payable, the Notes of the Class(es) ranking below shall not be capable of being declared due and payable and the Noteholders of the Class then outstanding ranking highest in the then applicable Order of Priority shall be entitled to determine the remedies to be exercised.

3.6 The Intercreditor Agreement contains provisions regarding the protection of the respective interests of all Noteholders in connection with the exercise of the powers, authorities, rights, duties and discretions of the Representative of the Noteholders under or in relation to the Notes or any of the Transaction Documents. If, however, in the opinion of the Representative of the Noteholders, there is or may be a conflict between the interests of the holders of any Class(es) of Notes, the Representative of the Noteholders is required to have regard only to the interests of the holders of the Class of Notes then outstanding ranking highest in the then applicable Order of Priority, until such Class of Notes have been redeemed in full.

4. Covenants

For so long as any amount remains outstanding in respect of the Notes, the Issuer shall not, save with the prior written consent of the Representative of the Noteholders or as provided in or contemplated by any of the Transaction Documents:

4.1 *Negative pledge*

create or permit to subsist any Security Interest whatsoever over the Portfolio or any part thereof or over any of its other assets or sell, lend, part with or otherwise dispose of all or any part of the Portfolio; or

4.2 *Restrictions on activities*

(a) save as provided in Condition 4.9 (*Further Securitisations*), engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage; or

(b) have any *società controllata* (as defined in Article 2359 of the Italian Civil Code) or any employees or premises; or

(c) at any time approve or agree or consent to or do, or permit to be done, any act or thing whatsoever which may be materially prejudicial to the interests of the Class A Noteholders or, if no Class A Notes are outstanding, the Class B Noteholders or, if no Class B Notes are outstanding, the Class C Noteholders under the Transaction Documents; or

(d) become the owner of any real estate asset; or

4.3 *Dividends or Distributions*

pay any dividend or make any other distribution or return or repay any equity capital to its quotaholders, or issue any further *quote* or shares; or

4.4 *Borrowings*

incur any indebtedness in respect of borrowed money whatsoever or give any guarantee in respect of indebtedness or of any obligation of any person; or

4.5 *Merger*

consolidate or merge with any other person or convey or transfer all or substantially all its properties or assets to any other person; or

4.6 *No variation or waiver*

permit any of the Transaction Documents to which it is party to be amended, terminated or discharged, if such amendment, termination or discharge may negatively affect the interest of the Noteholders; or exercise any powers of consent or waiver pursuant to the terms of any of the Transaction Documents to which it is a party, in a way which may negatively affect the interest of the Noteholders; or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations thereunder, if such release may negatively affect the interest of the Noteholders; or

4.7 *Bank Accounts*

have an interest in any bank account other than the Accounts; or

4.8 *Statutory Documents*

amend, supplement or otherwise modify its *statuto* or *atto costitutivo*, except where such amendment, supplement or modification is required by compulsory provisions of Italian law or by the competent regulatory authorities; or

4.9 *Further Securitisations*

None of the above covenants shall prohibit the Issuer from carrying out the securitisation of one or more further portfolios of claims or to issue further notes or incur further indebtedness in relation thereto, provided that:

(i) the Rating Agencies will confirm that the ratings of the then outstanding Notes shall not be adversely affected and a rating alert shall not be triggered by such securitisation and/or issue and/or indebtedness and the Representative of the Noteholders receives written notice of such confirmation;

(ii) the intercreditor agreement to be executed in the context of such new securitisation and/or the terms and conditions of the notes to be issued in relation thereto will provide for a covenant by the creditors of the Issuer in the context of such securitisation not to take any steps for the purpose of procuring the declaration of insolvency, the commencement of any bankruptcy proceeding or the winding up of the Issuer until one year and one day have passed since the date on which all of the Notes have been redeemed in full or cancelled; and

(iii) the transaction documents and the terms and conditions of the notes to be issued in the context of such securitisation ensure that (i) costs, expenses and taxes incurred in relation to such new securitisation will be paid out of the segregated funds of such new securitisation, and (ii) costs,

expenses and taxes required to be paid in order to preserve the corporate existence of the Issuer or to maintain it in good standing or to comply with the applicable legislation and regulations will be paid, in equal parts out of the Issuer Available Funds and the funds deriving from such new securitisation;

5. Order of Priority

5.1 Pre-Enforcement Order of Priority

Prior to the service of an Enforcement Notice, the Issuer Available Funds shall be applied on each Payment Date (or, in the case of payments that are to be made after the Payment Date and which are provided for in the Payments Report immediately preceding such Payment Date, on the date for payment specified in such report), in making or providing for the following payments, in the following order of priority (the "**Pre-Enforcement Order of Priority**") (in each case, only if and to the extent that payments of a higher priority have been made in full):

(i) in or towards satisfaction *pari passu* and *pro rata* according to the respective amounts thereof, of taxes due and payable by the Issuer, to the extent that such sums have not already been met by utilising the amount standing to the credit of the AM2 Expenses Account;

(ii) in or towards satisfaction *pari passu* and *pro rata* according to the respective amounts thereof, of any costs and expenses due and payable in relation to preserving the corporate existence of the Issuer, maintaining it in good standing and in compliance with applicable legislation, to the extent that such costs and expenses have not already been met by utilising the amount standing to the credit of the AM2 Expenses Account;

(iii) in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the fees, costs and expenses of, and all other amounts due and payable to, the Representative of the Noteholders, the Security Trustee and the receiver (if appointed) in respect of the security granted pursuant to the English Deed of Charge;

(iv) in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of all due and payable costs and expenses incurred by the Issuer and any other amount payable by the Issuer in respect of the Securitisation, other than those payable to parties to the Intercreditor Agreement, to the extent that such payment obligations have not already been met by utilising the amount standing to the credit of the AM2 Expenses Account;

(v) in or towards satisfaction *pari passu* and *pro rata* according to the respective amounts thereof, of the fees, costs and expenses of, and all other amounts due and payable to: the Cash Manager, the Calculation Agent, the Luxembourg Agent, the Account Banks and the Paying Agents under the Cash Allocation, Management and Agency Agreement; and the Corporate Services Provider under the Corporate Services Agreement;

(vi) in or towards satisfaction *pari passu* and *pro rata* according to the respective amounts thereof, of (a) the Servicing Fee; and (b) the Issuer Disbursement Amount;

(vii) on the First Payment Date only, to pay to the Originator Interest on the Initial Purchase Price pursuant to the Transfer Agreement, provided that if paid only in part on the First Payment Date, the residual amount shall be paid on successive Payment Date(s);

(viii) in or towards satisfaction of all amounts payable to the Swap Counterparty under the Swap Agreement, other than amounts payable by the Issuer upon termination of the Swap Agreement in the event of default of the Swap Counterparty thereunder or following an Additional Termination Event which has occurred in connection with a Rating Event and the Swap Counterparty is the Sole Affected Party (as each such term is defined in the Swap Agreement);

(ix) in or towards satisfaction of interest due and payable on the Class A Notes;

(x) if the Cumulative Default Ratio on all the preceding Collection Dates is lower than 13.8%, in or towards satisfaction of interest due and payable on the Class B Notes;

(xi) if the Cumulative Default Ratio on all the preceding Collection Dates is lower than 8.0%, in or towards satisfaction of interest due and payable on the Class C Notes;

(xii) on any Payment Date falling before January 2006, in or towards payment of the Principal Amortisation Amount which amount will be paid into the AM2 Principal Accumulation Account;

(xiii) commencing on (and including) the Payment Date falling in January 2006, in or towards payment of the Class A Amortisation Amount, to be used towards mandatory *pro rata* redemption of the Class A Notes in accordance with Condition 7.2;

(xiv) if the Cumulative Default Ratio on any preceding Collection Date is equal to or greater than 13.8%, in or towards satisfaction of interest due and payable on the Class B Notes;

(xv) commencing on (and including) the Payment Date falling in January 2006, in or towards payment of the Class B Amortisation Amount, to be used towards mandatory *pro rata* redemption of the Class B Notes in accordance with Condition 7.2;

(xvi) if the Cumulative Default Ratio on any preceding Collection Date is equal to or greater than 8.0%, in or towards satisfaction of interest due and payable on the Class C Notes;

(xvii) commencing on (and including) the Payment Date falling in January 2006, in or towards payment of the Class C Amortisation Amount, to be used towards mandatory *pro rata* redemption of the Class C Notes in accordance with Condition 7.2;

(xviii) up to (but excluding) the Payment Date when the Notes will be redeemed in full, to pay into the AM2 Cash Collateral Account an amount (if any) so that the balance of such account, after such payment, is equivalent to the Scheduled Cash Collateral Amount;

(xix) in or towards satisfaction of any amount payable by the Issuer upon termination of the Swap Agreement in the event of default of the Swap Counterparty thereunder or following an Additional Termination Event which has occurred in connection with a Rating Event and the Swap Counterparty is the Sole Affected Party;

(xx) in or towards satisfaction *pari passu* and *pro rata* according to the respective amounts thereof of any other amounts due and payable to (a) the Originator pursuant to any of the Transfer Agreement and the Subscription Agreement and (b) the Servicer pursuant to the Servicing Agreement, to the extent not already paid under other items of this Order of Priority;

(xxi) in or towards satisfaction of any interest due and payable to the Subordinated Loan Provider under the Subordinated Loan Agreement;

(xxii) in or towards satisfaction of any principal due and payable to the Subordinated Loan Provider under the Subordinated Loan Agreement; and

(xxiii) in or towards satisfaction of the Deferred Purchase Price,

provided that:

(A) if on any Payment Date falling after a Collection Date (other than the immediately preceding Collection Date) on which the Cumulative Default Ratio was equal to or greater than 13.8%, the Cumulative Default Ratio of the Collection Date immediately preceding such Payment Date falls below 13.8% **and** the amount standing to the balance of the AM2 Cash Collateral Account as of the immediately preceding Collection Date is equal to or greater than the Initial Cash Collateral Amount, interest due and payable on the Class B Notes will be paid under item (x) of the Pre-Enforcement Order of Priority; and

(B) if on any Payment Date falling after a Collection Date (other than the immediately preceding Collection Date) on which the Cumulative Default Ratio was equal to or greater than 8.0%, the Cumulative Default Ratio of the Collection Date immediately preceding such Payment Date falls below 8.0% **and** the amount standing to the balance of the AM2 Cash Collateral Account as of the immediately preceding Collection Date is equal to or greater than the Initial Cash Collateral Amount, interest due and payable on the Class C Notes will be paid under item (xi) of the Pre-Enforcement Order of Priority.

5.2 **Post-Enforcement Order of Priority**

Following the service of an Enforcement Notice, the Issuer Available Funds shall be applied on each Payment Date in making or providing for the following payments, in the following order of priority (the "**Post-Enforcement Order of Priority**") (in each case, only if and to the extent that payments of a higher priority have been made in full):

(i) upon the occurrence of an Insolvency Event, in or towards satisfaction of any mandatory expenses relating to the insolvency proceedings in accordance with Italian bankruptcy law and thereafter, or upon the occurrence of any other Enforcement Event, in or towards satisfaction *pari passu* and *pro*

*rata a*ccording to the respective amounts thereof, of taxes due and payable by the Issuer, to the extent that such sums have not already been met by utilising the amount standing to the credit of the AM2 Expenses Account or have not already been paid (or are not to be paid) by the relevant bankruptcy receiver out of the sums received by it under this item (i);

(ii) in or towards satisfaction *pari passu* and *pro rata* according to the respective amounts thereof, of any costs and expenses due and payable in relation to preserving the corporate existence of the Issuer, maintaining it in good standing and in compliance with applicable legislation, to the extent that such costs and expenses have not already been met by utilising the amount standing to the credit of the AM2 Expenses Account or have not already been paid (or are not to be paid) by the relevant bankruptcy receiver out of the sums received by it under item (i) above;

(iii) in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the fees, costs and expenses of, and all other amounts due and payable to, the Representative of the Noteholders, the Security Trustee and the receiver (if appointed) in respect of the security granted pursuant to the English Deed of Charge;

(iv) in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, all due and payable costs and expenses incurred by the Issuer and any other amount payable by the Issuer in respect of the Securitisation, other than those payable to parties to the Intercreditor Agreement, to the extent that such payment obligations have not already been met by utilising the amount standing to the credit of the AM2 Expenses Account or have not already been paid (or are not to be paid) by the relevant bankruptcy receiver out of the sums received by it under item (i) above;

(v) in or towards satisfaction *pari passu* and *pro rata* according to the respective amounts thereof, of the fees, costs and expenses of, and all other amounts due and payable to: the Cash Manager, the Calculation Agent, the Luxembourg Agent, the Account Banks and the Paying Agents under the Cash Allocation, Management and Agency Agreement; and the Corporate Services Provider under the Corporate Services Agreement;

(vi) in or towards satisfaction *pari passu* and *pro rata* according to the respective amounts thereof, of (a) the Servicing Fee; and (b) the Issuer Disbursement Amount;

(vii) in or towards satisfaction of all amounts payable to the Swap Counterparty under the Swap Agreement, other than amounts payable by the Issuer upon termination of the Swap Agreement in the event of default of the Swap Counterparty thereunder or following an Additional Termination Event which has occurred in connection with a Rating Event and the Swap Counterparty is the Sole Affected Party (each such term as defined in the Swap Agreement);

(viii) in or towards satisfaction of interest due and payable on the Class A Notes;

(ix) in or towards satisfaction *pari passu* and *pro rata*, according to the respective amounts thereof, of principal due and payable on the Class A Notes, provided that if no Insolvency Event has occurred and in the absence of a redemption for taxation of the Notes of all Classes under Condition 7.4, such amount which would otherwise have been paid to the Class A Noteholders under this item on any Payment Date falling before January 2006 shall be set aside to the AM2 Principal Accumulation Account;

(x) in or towards satisfaction of interest due and payable on the Class B Notes;

(xi) in or towards satisfaction of principal due and payable on the Class B Notes, provided that if no Insolvency Event has occurred and in the absence of a redemption for taxation of the Notes of all Classes under Condition 7.4, such amount which would otherwise have been paid to the Class B Noteholders under this item on any Payment Date falling before January 2006 shall be set aside to the AM2 Principal Accumulation Account;

(xii) in or towards satisfaction of interest due and payable on the Class C Notes;

(xiii) in or towards satisfaction of principal due and payable on the Class C Notes, provided that if no Insolvency Event has occurred and in the absence of a redemption for taxation of the Notes of all Classes under Condition 7.4, such amount which would otherwise have been paid to the Class C Noteholders under this item on any Payment Date falling before January 2006 shall be set aside to the AM2 Principal Accumulation Account;

(xiv) in or towards satisfaction of any amount payable by the Issuer upon termination of the Swap Agreement in the event of default of the Swap Counterparty thereunder or following an Additional Termination Event which has occurred in connection with a Rating Event and the Swap Counterparty is the Sole Affected Party;

(xv) to the extent that Interest on the Initial Purchase Price is not yet paid, or paid in full, to the Originator, to pay to the Originator such unpaid portion of such amount and interest thereon (if any) pursuant to the Transfer Agreement;

(xvi) in or towards satisfaction *pari passu* and *pro rata* according to the respective amounts thereof of any other amounts due and payable to (a) the Originator pursuant to any of the Transfer Agreement and the Subscription Agreement and (b) the Servicer pursuant to the Servicing Agreement, to the extent not already paid under other items of this Order of Priority;

(xvii) in or towards satisfaction of any interest due and payable to the Subordinated Loan Provider under the Subordinated Loan Agreement;

(xviii) in or towards satisfaction of any principal due and payable to the Subordinated Loan Provider under the Subordinated Loan Agreement; and

(xix) in or towards satisfaction of the Deferred Purchase Price.

6. Interest

6.1 Payment Dates and Interest Periods

Each Note bears interest on its Principal Amount Outstanding from (and including) the Issue Date, payable in Euro quarterly in arrear on the 27th day of January, April, July and October in each year (or if any such day is not a Business Day, the immediately succeeding Business Day) (each a "**Payment Date**"), provided that following the delivery of an Enforcement Notice upon the occurrence of an Insolvency Event, the Payment Date may be any Business Day as shall be specified in the Enforcement Notice. The first Payment Date will be the Payment Date falling in October 2004 (the "**First Payment Date**"). The period from and including the Issue Date to but excluding the First Payment Date is referred to herein as the "**Initial Interest Period**" and each successive period from (and including) a Payment Date to (but excluding) the next succeeding Payment Date is referred to as an "**Interest Period**".

Interest shall cease to accrue on any part of the Principal Amount Outstanding of a Note from (and including) the Final Maturity Date (as defined in Condition 7 (*Redemption, Purchase and Cancellation*)) unless payment of principal due and payable but unpaid is improperly withheld or refused, whereupon interest shall continue to accrue on such principal (as well after as before judgement) at the rate from time to time applicable to each Class of Notes until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day on which all such sums have been received by the Representative of the Noteholders or the Paying Agents on behalf of the relevant Noteholder and notice to that effect is given in accordance with Condition 14 (*Notices*).

6.2 Rate of Interest

The rate of interest payable from time to time in respect of each Class of the Notes (each, a "**Rate of Interest**") will be determined by the Calculation Agent on the Interest Determination Date.

The Rate of Interest applicable to each Class of Notes for each Interest Period shall be the aggregate of:

(A) the Relevant Margin; and

(B) (a) the Euro-zone inter-bank offered rate ("**Euribor**") for three month Euro deposits which appears on Telerate page 248 or (aa) such other page as may replace Telerate page 248 on that service for the purpose of displaying such information or (bb) if that service ceases to display such information, such page as displays such information on such equivalent service (or, if more than one, that one which is approved by the Representative of the Noteholders) as may replace the Telerate page 248) at or about 11.00 a.m. (Brussels time) on the Interest Determination Date (the "**Screen Rate**"); or

(b) if the Screen Rate is unavailable at such time for three month Euro deposits, then the rate for any relevant period shall be the arithmetic mean (rounded to four decimal places with the mid-point rounded up) of the rates notified to the Calculation Agent at its request by each of the Reference Banks as the rate at which three month Euro deposits in a similar representative amount are offered

by that Reference Bank to leading banks in the Euro-zone inter-bank market at or about 11.00 a.m. (Brussels time) on that date; or

(c) if on any Interest Determination Date, the Screen Rate is unavailable and only two of the Reference Banks provide such offered quotations to the Calculation Agent the relevant rate shall be determined, as aforesaid, on the basis of the offered quotations of those Reference Banks providing such quotations; or

(d) if, on any Interest Determination Date, the Screen Rate is unavailable and only one of the Reference Banks provides the Calculation Agent with an offered quotation, the Rate of Interest for the relevant Interest Period shall be the Rate of Interest in effect for the immediately preceding Interest Period to which either sub-paragraph (a) or (b) above shall have applied (the "**Three Month Euribor**").

In the case of the Initial Interest Period, the Rate of Interest applicable to each Class of Notes will be the aggregate of the Relevant Margin and the rate per annum obtained by linear interpolation of Euribor (ascertained in accordance with paragraph (B)) for three month and four month deposits in Euro.

There shall be no maximum or minimum Rate of Interest.

Interest in respect of any Interest Period or any other period will be calculated on the basis of the actual number of days elapsed and a 360 day year.

6.3 **Determination of Rates of Interest and Calculation of Interest Amount**

The Calculation Agent shall, on each Interest Determination Date, determine and notify to the Issuer, the Paying Agents, the Luxembourg Stock Exchange and the Representative of the Noteholders:

(a) the Rate of Interest applicable to the Interest Period beginning after such Interest Determination Date (or in the case of the Initial Interest Period, beginning on and including the Issue Date) in respect of each Class of Notes;

(b) the Euro amount (the "**Interest Amount"**) payable on each Class of Notes in respect of such Interest Period. The Interest Amount payable in respect of any Interest Period in respect of each Class of Notes shall be calculated by applying the relevant Rate of Interest to the Principal Amount Outstanding of such Class of Notes on the Payment Date (or, in the case of the Initial Interest Period, the Issue Date) at the commencement of such Interest Period (after deducting therefrom any payment of principal due and paid on that Payment Date), multiplying the product of such calculation by the actual number of days in the Interest Period and dividing by 360, and rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

6.4 **Interest Amount Arrears**

(a) *Interest Amount Arrears*

In the event that on any Payment Date, there are any Interest Amounts which are unpaid on their due date and remain unpaid as a result of the insufficiency of the Issuer Available Funds ("**Interest Amount Arrears**") in respect of the Class A Notes (the "**Class A Interest Amount Arrears**"), the Class B Notes (the "**Class B Interest Amount Arrears"**) and the Class C Notes (the "**Class C Interest Amount Arrears**"), the Class A Interest Amount Arrears, the Class B Interest Amount Arrears and the Class C Interest Amount Arrears, as the case may be, shall - without prejudice to the right of the Representative of the Noteholders to serve an Enforcement Notice pursuant to Condition 11.1(a) (*Non-payment of interest and principal*) - be aggregated with the amount of interest due on the relevant Class of Notes on the next succeeding Payment Date and treated for the purposes of this Condition as if it was due, subject to this Condition, on each Class A Note, each Class B Note or, as the case may be, each Class C Note, on the next succeeding Payment Date.

Any Class A Interest Amount Arrears, any Class B Interest Amount Arrears and any Class C Interest Amount Arrears shall be due and payable in accordance with the Order of Priority on the Final Maturity Date.

No interest will accrue on the Interest Amount Arrears of any Class of Notes.

(b) *Interest Amount in respect of Class B and Class C Notes*

The non-payment, in whole or in part, of any Interest Amount in respect of Class B and/or Class C Notes arising on a Payment Date as a result of the Cumulative Default Ratio on any preceding Collection Date being equal to or greater than 13.8% or 8.0%, respectively, shall not be treated as

a non-payment of interest with reference to such Payment Date pursuant to Condition 11.1(a) (*Non-payment of interest and principal*).

6.5 **Publication of the Rate of Interest, the Interest Amount and the Interest Amount Arrears**

The Calculation Agent will, at the Issuer's expense, cause the Rate of Interest and the Interest Amount applicable to each Class of Notes for each Interest Period and the relative Payment Date in respect of such Interest Amount to be notified promptly after determination to the Issuer, the Paying Agents, the Representative of the Noteholders, Monte Titoli S.p.A., the Luxembourg Stock Exchange and any other relevant stock exchange and will cause the same to be published in accordance with Condition 14 (*Notices*) on or as soon as reasonably practicable after the relevant Interest Determination Date.

If the Calculation Agent determines that any Class A Interest Amount Arrears, any Class B Interest Amount Arrears or any Class C Interest Amount Arrears, as the case may be, will arise on a Payment Date, notice to this effect will be given to the Issuer, the Paying Agents, the Representative of the Noteholders, the Luxembourg Stock Exchange and any other relevant stock exchange promptly after the Calculation Date and in any event no later than the Business Day prior to such Payment Date and a notice to this effect will be given to the relevant Noteholders in accordance with Condition 14 (*Notices*).

The Calculation Agent will be entitled to recalculate any Interest Amount or any Interest Amount Arrears (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.

6.6 **Determination or calculation by the Representative of the Noteholders**

If the Calculation Agent does not at any time for any reason determine the Rate of Interest and/or calculate the Interest Amount or, if relevant, the Interest Amount Arrears, for each Class of Notes in accordance with the foregoing provisions of this Condition 6, the Representative of the Noteholders shall:

(a) determine the Rate of Interest for each Class of Notes at such rate as (having regard to the procedure described above) it shall consider fair and reasonable in all the circumstances; and/or

(b) calculate the Interest Amount for each Class of Notes in the manner specified in Condition 6.3 above; and/or

(c) calculate the Interest Amount Arrears for each Class of Notes in the manner specified in Condition 6.4 above,

and any such determination and/or calculation shall be deemed to have been made by the Calculation Agent.

6.7 **Notifications to be final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6 and Condition 7 below, whether by the Reference Banks (or any of them), the Calculation Agent, the Issuer or the Representative of the Noteholders shall (in the absence of wilful misconduct (*dolo*) or gross negligence (*colpa grave*)) be binding on the Reference Banks, the Calculation Agent, the Issuer, the Representative of the Noteholders, the Paying Agents and all Noteholders and (in such absence as aforesaid) no liability to the Class A Noteholders, the Class B Noteholders and the Class C Noteholders shall attach to the Reference Banks, the Calculation Agent, the Issuer or the Representative of the Noteholders in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretion hereunder.

6.8 **Reference Banks and Calculation Agent**

The Issuer shall ensure that, so long as any of the Notes remains outstanding, there shall at all times be three Reference Banks and a Calculation Agent. The Reference Banks shall be three major banks in the Euro-zone inter-bank market selected by the Calculation Agent with the approval of the Issuer. The Calculation Agent may not resign until a successor approved in writing by the Representative of the Noteholders has been appointed. If a new Calculation Agent is appointed, a notice will be published in accordance with Condition 14 (*Notices*).

7. Redemption, Purchase and Cancellation

7.1 **Final Maturity Date**

Unless previously redeemed in full as provided in this Condition 7 (*Redemption, Purchase and Cancellation*), the Issuer shall redeem the Notes at their Principal Amount Outstanding, plus any accrued but unpaid interest, on the Payment Date falling in October 2043 (the "**Final Maturity Date**").

All Notes will, immediately following the Final Maturity Date, be deemed to be discharged in full and any amount in respect of principal, interest or other amounts due and payable in respect of the Notes will (unless payment of any such amount is improperly withheld or refused) be finally and definitively cancelled.

7.2 **Mandatory *pro rata* redemption**

On each Payment Date falling in or after January 2006 or, if earlier, on the Payment Date immediately following the delivery of an Enforcement Notice upon the occurrence of an Insolvency Event, the Issuer will apply the Available Redemption Amount of each Class of Notes on such Payment Date in or towards mandatory redemption of such Class of Notes (in whole or in part) in accordance with the applicable Order of Priority.

The principal amount redeemable in respect of each Note (the "**Principal Payment**") shall be a *pro rata* share of the aggregate amount determined in accordance with the provisions of this Condition 7.2 to be available for redemption of the Notes of the same Class of such Note on such date, calculated by reference to the ratio borne by the then Principal Amount Outstanding of such Note to the then Principal Amount Outstanding of all the Notes of the same Class (rounded to the nearest cent), provided always that no such Principal Payment may exceed the Principal Amount Outstanding of the relevant Note.

7.3 **Optional Redemption of the Notes**

On:

(i) the Payment Date falling in January 2006 and on any Payment Date thereafter, the Issuer may redeem all (but not some only) of the Class A Notes, the Class B Notes and the Class C Notes at their Principal Amount Outstanding together with all accrued but unpaid interest thereon up to and including such Payment Date, if the Outstanding Principal of the Portfolio is equal to or less than 10% (ten per cent) of the lesser of: (i) the Outstanding Principal of the Portfolio as of the Effective Date; and (ii) the Initial Purchase Price; or

(ii) any Payment Date, the Issuer may redeem all (but not some only) of the Class A Notes, the Class B Notes and the Class C Notes at their Principal Amount Outstanding together with all accrued but unpaid interest thereon up to and including such Payment Date, if following the occurrence of legislative or regulatory changes, or official interpretations thereof by competent authorities, as a result of which the Issuer would incur increased costs or charges of a fiscal nature which would materially affect payments due under the Notes.

Any such redemption (an "**Optional Redemption**") shall be effected by the Issuer on giving not more than 60 nor less than 30 days' prior notice in writing to the Representative of the Noteholders and to the holders of the Notes in accordance with Condition 14 (*Notices*) and provided that the Issuer, prior to giving such notice to the Representative of the Noteholders, has produced evidence acceptable to the Representative of the Noteholders that it will have the funds, not subject to interests of any other person, to discharge all its outstanding liabilities in respect of the Notes and any amounts required under the Conditions to be paid in priority to or *pari passu* with the Notes of each class.

The necessary funds for the purpose of the Optional Redemption of the Notes may be obtained from the sale by the Issuer of all or part of the Portfolio. Should any such sale of the Portfolio occur, such sale proceeds will form part of the Issuer Available Funds on the relevant Payment Date.

Any Optional Redemption pursuant to paragraph (ii) above shall be subject to the provision by the Issuer to the Representative of the Noteholders, immediately prior to the giving of the relevant notice, of: (a) a legal opinion (in form and substance satisfactory to the Representative of the Noteholders) from a firm of lawyers in the Issuer's jurisdiction (approved in writing by the Representative of the Noteholders) opining that on the next Payment Date the Issuer would, as a result of legislative or regulatory changes, or official interpretations thereof by competent authorities, incur increased costs or charges of a fiscal nature which cannot be avoided, and (b) a certificate signed by the Chairman of the Board of Directors of the Issuer to the effect that such increased costs or charges would materially affect payments due under the Notes.

7.4 **Redemption for taxation**

If, at any time, the Issuer: (i) confirms to the Representative of the Noteholders that on the next Payment Date, the Issuer would be required to deduct or withhold (other than in respect of a Decree 239 Deduction) any amount from any payment of principal or interest on the Notes of any Class for or on account of any present or future taxes, duties, assessments or governmental charges by the Republic of Italy or any political sub-division thereof or any authority thereof or therein and provides the Representative of the Noteholders with a legal opinion (in form and substance satisfactory to the Representative of the

Noteholders) from a firm of lawyers in the Issuer's jurisdiction opining that on the next Payment Date, the Issuer would be required to make any such deduction or withholding; and (ii) certifies to the Representative of the Noteholders and produces evidence acceptable to the Representative of the Noteholders that the Issuer will have the necessary funds not subject to the interest of any other person to discharge all its outstanding liabilities in respect of the relevant Class of Notes and any amounts required under the relevant Conditions to be paid in priority to or *pari passu* with such Notes, then following receipt of a written notice from the Representative of the Noteholders authorising the redemption, the Issuer may, at its option, redeem on the next succeeding Payment Date all but not some only of the Notes of the relevant Class at their Principal Amount Outstanding together with accrued but unpaid interest up to and including the relevant Payment Date, having given not more than 60 nor less than 30 days' notice to the Representative of the Noteholders in writing and to the holders of such Notes in accordance with Condition 14 (*Notices*).

7.5 **Note Principal Payments, Redemption Amounts and Principal Amount Outstanding**

On each Calculation Date, the Issuer shall procure that the Calculation Agent determines:

(a) the amount of the Available Redemption Amount for each Class of Notes (if any);

(b) the Principal Payment (if any) due on each Note on the next following Payment Date; and

(c) the Principal Amount Outstanding of each Note and on the Notes of each Class on the next following Payment Date (after deducting any principal payment due to be made on that Payment Date).

Each determination on behalf of the Issuer of the Available Redemption Amount for the Notes of each Class, the Principal Payment on each Note and the Principal Amount Outstanding of each Note and on the Notes of each Class shall in each case (in the absence of wilful misconduct (*dolo*) or gross negligence (*colpa grave*)) be final and binding on all persons.

The Issuer will, no later than the fifth Business Day prior to each Payment Date, cause each determination of a Principal Payment on each Note (if any) and Principal Amount Outstanding on each Note and on the Notes of each Class to be notified by the Calculation Agent to the Representative of the Noteholders, Monte Titoli, the Paying Agents, the Luxembourg Agent, the Luxembourg Stock Exchange and any other applicable stock exchange and notice thereof to be published in accordance with Condition 14 (*Notices*). If no Principal Payment is due to be made on any Class of Notes on a Payment Date, a notice to this effect will be given by or on behalf of the Issuer to the Noteholders of such Class in accordance with Condition 14 (*Notices*).

If no Available Redemption Amount, Principal Payment on each Note or Principal Amount Outstanding of each Note and on the Notes of each Class is determined by the Calculation Agent in accordance with the preceding provisions of this paragraph, such Available Redemption Amount, Principal Payment or, as the case may be, Principal Amount Outstanding, shall be determined by the Representative of the Noteholders in accordance with the provisions of this Condition 7 and each such determination or calculation shall be deemed to have been made by the Calculation Agent.

7.6 **Notice of Redemption**

Any notice to the Noteholders as is referred to in Condition 7.2 (*Mandatory pro rata redemption*), Condition 7.3 (*Optional Redemption of the Notes*) and Condition 7.4 (*Redemption for Taxation*) shall be made pursuant to Condition 14 (*Notices*) and in accordance with, in the case of mandatory *pro rata* redemption, Condition 7.5 (*Note Principal Payments, Redemption Amounts and Principal Amount Outstanding*) and, in the case of optional redemption or redemption for taxation reasons, Condition 7.3 (Optional Redemption of the Notes) and Condition 7.4 (*Redemption for Taxation*), with notice to the Luxembourg Stock Exchange indicating the Principal Amount Outstanding of the relevant Class(es) of Notes and all accrued but unpaid interest thereon up to and including the relevant Payment Date. Such notices shall be irrevocable and, upon the expiry of such notice, the Issuer shall be bound to redeem the Notes in accordance with this Condition 7 (*Redemption, Purchase and Cancellation*).

7.7 **No purchase by Issuer**

The Issuer shall not purchase any of the Notes.

8. Payments

8.1 Payment of principal and interest in respect of the Notes will be credited, according to the instructions of Monte Titoli, by the Italian Paying Agent on behalf of the Issuer to the accounts of those banks and

authorised brokers whose accounts with Monte Titoli are credited with those Notes and thereafter credited by such banks and authorised brokers from such aforementioned accounts to the accounts of the beneficial owners of those Notes or through Euroclear Bank S.A./N.V., as operator of the Euroclear system ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**") to the accounts with Euroclear and Clearstream of the beneficial owners of those Notes, in accordance with the rules and procedures of Monte Titoli, Euroclear or Clearstream, as the case may be.

8.2 Payments of principal and interest in respect of the Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto.

8.3 The Issuer reserves the right, subject to the prior written approval of the Representative of the Noteholders, at any time to vary or terminate the appointment of the Cash Manager and to appoint another Cash Manager. The Issuer will cause at least 30 days' notice of any replacement of the Cash Manager to be given in accordance with Condition 14 (*Notices*).

8.4 The Issuer reserves the right, subject to the prior written approval of the Representative of the Noteholders, at any time to vary or terminate the appointment of the Luxembourg Agent, the Principal Paying Agent and the Italian Paying Agent or to appoint another Luxembourg Agent, Italian Paying Agent and/or Principal Paying Agent, provided that (for as long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require) the Issuer will at all times maintain an agent with a specified office in Luxembourg. If a new Luxembourg Agent or Principal Paying Agent or Italian Paying Agent is appointed, a notice will be published in accordance with Condition 14 (*Notices*) and the Luxembourg Stock Exchange will be promptly informed.

9. Taxation

All payments in respect of Notes will be made without withholding or deduction for or on account of any present or future taxes, duties or charges of whatsoever nature other than a Decree 239 Deduction or any other withholding or deduction required to be made by applicable law. Neither the Issuer nor any other person shall be obliged to pay any additional amount to any holder of Notes on account of such withholding or deduction.

10. Prescription

10.1 Claims against the Issuer for payments in respect of the Notes shall be prescribed and become void unless made within ten years (in the case of principal) or five years (in the case of interest) from the Relevant Date in respect thereof.

11. Enforcement Events

11.1 If any of the following events occur:

(a) *Non-payment of interest and principal*

The Interest Amount or the Principal Payment on any Note on a Payment Date is not paid in full on the due date or within a period of five Business Days or more thereafter, *provided that* the non-payment, in whole or in part, of any Interest Amount in respect of the Class B Notes and/or the Class C Notes arising on a Payment Date as a result of the Cumulative Default Ratio on any preceding Collection Date being equal to or greater than 13.8% or 8.0%, respectively, shall not be treated as an Enforcement Event; or

(b) *Breach of obligations*

The Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes, or any of them, or of any of the Transaction Documents to which it is a party (other than any obligation for the payment of principal or interest on the Notes and its obligations under the Swap Agreement) and (except where, in the sole and absolute opinion of the Representative of the Noteholders, such default is incapable of remedy (in which case no notice will be required)), such default continues and remains unremedied for 30 days after the Representative of the Noteholders has given written notice thereof to the Issuer, certifying that such default is, in the opinion of the Representative of the Noteholders, materially prejudicial to the interests of the Noteholders; or

(c) *Insolvency of the Issuer*

(i) an administrator, administrative receiver or liquidator of the Issuer is appointed over or in respect of the whole or any part of the undertaking, assets and/or revenues of the Issuer or the Issuer becomes subject to any bankruptcy, liquidation, administration, insolvency, composition, reorganisation (among which, without limitation, "*fallimento*", "*concordato preventivo*" and "*amministrazione controllata*" within the meaning ascribed to those expressions by the laws of the Republic of Italy or proceedings under Title IV, Heading I of Italian Legislative Decree No. 385 of 1 September 1993) or similar proceedings (or application for the commencement of any such proceeding) or an encumbrancer takes possession of the whole or any substantial part of the undertaking or assets of the Issuer;

(ii) proceedings are initiated against the Issuer under any applicable bankruptcy, liquidation, administration, insolvency, composition, reorganisation or similar laws and proceedings are not, in the opinion of the Representative of the Noteholders, being disputed in good faith; or

(iii) the Issuer takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or is granted by a competent court a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or applies for bankruptcy or suspension of payments; or

(d) *Winding up etc.*

An order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer except a winding up for the purposes of or pursuant to an amalgamation or reconstruction, the terms of which have been previously approved in writing by the Representative of the Noteholders or by an extraordinary resolution of the Noteholders; or

(e) *Unlawfulness*

It is or will become unlawful in any respect deemed by the Representative of the Noteholders to be material for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or any Transaction Document to which it is a party, (each an "**Enforcement Event**"), then the Representative of the Noteholders:

(A) may, or if instructed by an Extraordinary Resolution of a meeting of the Class A Noteholders or, upon the redemption in full of the Class A Notes, the Class B Noteholders or, upon the redemption in full of the Class B Notes, the Class C Noteholders, shall, serve a notice (an "**Enforcement Notice**") on the Issuer; and/or

(B) shall be entitled to direct the sale of all or part of the Portfolio provided however that (i) a sufficient amount shall be realised to allow discharge in full of all amounts owing to the Noteholders and amounts ranking in priority thereto or *pari passu* therewith, or (ii) at least two reputable and independent financial institutions chosen by the Representative of the Noteholders have given a written confirmation that the proposed sale price for the Portfolio (or such part thereof) is fair.

provided however that, for the sake of clarity, the Representative of the Noteholders shall not be required to take any action hereunder until it has been indemnified and/or secured to its satisfaction against any losses that it may reasonably incur as a result of so acting.

Upon the Representative of the Noteholders serving an Enforcement Notice, the Notes shall become repayable in accordance with Condition 5.2 (*Post-Enforcement Order of Priority*).

12. Enforcement

12.1 At any time after an Enforcement Notice has been served, the Representative of the Noteholders may and shall, if so requested or authorised by an extraordinary resolution of the Class A Noteholders or, upon the redemption in full of the Class A Notes, the Class B Noteholders or, upon the redemption in full of the Class B Notes, the Class C Noteholders, take such steps and/or institute such proceedings against the Issuer as it may think fit to enforce repayment of the Notes and payment of accrued interest thereon.

12.2 All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of Condition 11 (*Enforcement Events*) or this Condition 12 by the Representative of the Noteholders shall (in the absence of wilful misconduct (*dolo*) or gross negligence (*colpa grave*)) be binding on the Issuer and all Noteholders and (in such absence as aforesaid)

no liability to the Noteholders or the Issuer shall attach to the Representative of the Noteholders in connection with the exercise or non-exercise by it of its powers, duties and discretion hereunder.

12.3 In the event that the Representative of the Noteholders takes action to enforce rights of the Noteholders of any Class in respect of the Portfolio and the Issuer's Rights and after payment of all other claims ranking in priority to the Notes under the Conditions and the Intercreditor Agreement, if the remaining proceeds of such enforcement (the Representative of the Noteholders having taken action to enforce the Noteholders' rights in respect of the entire Portfolio and all the Issuer's Rights) are insufficient to pay in full all principal and interest and other amounts howsoever due in respect of the Notes of any Class and all other claims ranking *pari passu* therewith, then the Noteholders' claims against the Issuer in respect of such Notes will be limited to the extent of their respective *pro rata* share of such remaining proceeds (if any) and the obligations of the Issuer to such Noteholders under the relevant Class of Notes will be deemed discharged in full and any amount in respect of principal, interest or other amounts due under such Class of Notes will be finally and definitively cancelled.

13. Appointment and removal of the Representative of the Noteholders

13.1 The Organisation of the Noteholders shall be established upon and by virtue of the issuance of the Notes and shall remain in force and in effect until repayment in full or cancellation of the Notes.

13.2 Pursuant to the Rules of the Organisation of the Noteholders (attached hereto as Exhibit 1), for as long as any Note is outstanding, there shall at all times be a Representative of the Noteholders.

The Representative of the Noteholders is the legal representative (*rappresentante legale*) of the Organisation of the Noteholders. The appointment of the Representative of the Noteholders is made by the Noteholders subject to and in accordance with the Rules of the Organisation of the Noteholders, except for the initial Representative of the Noteholders who is appointed at the time of issue of the Notes pursuant to the Subscription Agreement. Each Noteholder is deemed to accept such appointment.

13.3 Pursuant to the provisions of the Rules of the Organisation of the Noteholders, the Representative of the Noteholders can be removed by the Noteholders at any time, provided a successor Representative of the Noteholders is appointed which shall be:

(a) a bank incorporated in any jurisdiction of the European Union or a bank incorporated in any other jurisdiction acting through an Italian branch or through a branch situated in a European Union country; or

(b) a company or financial institution registered under article 107 of the Italian Legislative Decree No. 385 of 1 September 1993; or

(c) any other entity which may be permitted by any specific provisions of Italian law applicable to the securitisation of monetary rights and/or by any regulations, instructions, guidelines and/or specific approvals issued by the competent Italian supervising authorities.

13.4 The Rules of the Organisation of the Noteholders contain provisions governing, *inter alia*, the terms of appointment, indemnification and exoneration from responsibility (and relief from responsibility) of the Representative of the Noteholders (including provisions relieving it from taking action unless indemnified to its satisfaction and providing for the Representative of the Noteholders to be indemnified in certain other circumstances) and provisions which govern the termination of the appointment of the Representative of the Noteholders and amendments to the terms of such appointment.

14. Notices

14.1 So long as the Notes are held on behalf of the beneficial owners thereof by Monte Titoli S.p.A., notices to the Noteholders may be given through the systems of Monte Titoli S.p.A. In addition, so long as the Notes of any Class are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, any notice regarding the Notes of such Class to such Noteholders shall be deemed to have been duly given if published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or if this is not practicable, in another appropriate English language newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made in the manner required in a newspaper as referred to above.

14.2 The Representative of the Noteholders may sanction some other method of giving notice to the Noteholders of the relevant Class if, in its opinion, such other method is reasonable having regard to market practices then prevailing and to the rules of the stock exchange on which the Notes of the relevant

Class are listed and provided that notice of such other method is given to the Noteholders of the relevant Class in such manner as the Representative of the Noteholders shall require.

15. Governing Law

15.1 The Notes are governed by Italian law.

15.2 All the Transaction Documents are governed by Italian law, with the exception of the Subscription Agreement, the English Deed of Charge and the Swap Agreement which are governed by English law.

15.3 The Court of Milan, Italy will have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes.

EXHIBIT 1

RULES OF THE ORGANISATION OF THE NOTEHOLDERS

TITLE I

GENERAL PROVISIONS

Article 1

General

The Organisation of the Noteholders is created by the issue and by the subscription of the Notes, and shall remain in force and in effect until full repayment or cancellation of the Class A Notes, the Class B Notes and the Class C Notes.

The contents of these Rules are considered included in each Note issued by the Issuer.

Article 2

Definitions

In these Rules, the following expressions have the following meanings:

"**Agent**" means the Italian Paying Agent, in respect of the Notes;

"**Arbitration Panel**" means the arbitration panel as set out in Article 32;

"**Basic Terms Modification**" means:

(a) the modification of the date of maturity of the relevant Class of Notes;

(b) a modification which would have the effect of postponing any day for payment of interest on the relevant Class of Notes;

(c) a modification which would have the effect of reducing or cancelling the amount of principal payable in respect of the relevant Class of Notes or the rate of interest applicable in respect of the relevant Class of Notes;

(d) a modification which would have the effect of altering the majority of votes required to pass a specific resolution of the relevant Class of Notes or the quorum required at any meeting of the relevant Class of Notes;

(e) a modification which would have the effect of altering the currency of payment of the relevant Class of Notes or any alteration of the date of redemption or priority of the relevant Class of Notes;

(f) a modification which would have the effect of altering the authorisation or consent by the Noteholders, as pledgees, to applications of funds as provided for in the Transaction Documents;

(g) the appointment and removal of the Representative of the Noteholders;

(h) an amendment of this definition;

"**Block Voting Instruction**" means, in relation to any Meeting, a document:

(a) certifying that certain specified Notes (the "**Blocked Notes**") have been blocked in an account with the Monte Titoli Account Holder and will not be released until the earlier of: (x) conclusion of the Meeting (or any adjournment of such Meeting); or (y) the surrender of the Block Voting Instruction to the Monte Titoli Account Holder;

(b) certifying that the holder of each Blocked Note or a duly authorised person on its behalf has instructed the Agent that the votes attributable to such Blocked Note are to be cast in a particular way on each resolution to be put to the Meeting and that, during the period of 48 hours before the time fixed for the Meeting, such instructions may not be amended or revoked;

(c) listing the total number of the Blocked Notes, distinguishing for each resolution between those in respect of which instructions have been given to vote for, or against, the resolution; and

(d) authorising a named individual or individuals to vote in respect of the Blocked Notes in accordance with such instructions;

"**Board of Directors**" means the board of directors of the Issuer;

"**Business**" means, in relation to any Meeting, the matters to be proposed to a vote of the Noteholders at the Meeting;

"**Chairman**" means, in relation to any Meeting, the individual who takes the chair in accordance with Article 9 of these Rules;

"**Class A Noteholders**" means the holders of the Class A Notes;

"**Class B Noteholders**" means the holders of the Class B Notes;

"**Class C Noteholders**" means the holders of Class C Notes;

"**Class of Notes**" means the Class A Notes, the Class B Notes or Class C Notes;

"**Extraordinary Resolution**" means a resolution of the Meeting of the Relevant Class Noteholders, duly convened and held in accordance with the provisions of these Rules that has been passed at the Relevant Fraction;

"**Issuer**" means Argo Mortgage 2 S.r.l.;

"**Meeting**" means the meeting of the Noteholders or a Class of Noteholders (whether originally convened or resumed following an adjournment);

"**Notes**" and "**Noteholders**" shall mean:

(a) in connection with a Meeting of Class A Noteholders, Class A Notes and Class A Noteholders respectively;

(b) in connection with a Meeting of Class B Noteholders, Class B Notes and Class B Noteholders respectively;

(c) in connection with a Meeting of Class C Noteholders, Class C Notes and Class C Noteholders respectively;

and otherwise, in the case of a joint Meeting of more than one Class, any or all of the Class A Notes, the Class B Notes and the Class C Notes and any or all of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders, respectively;

"**Proxy**" means, in relation to any Meeting, a person appointed to vote under a Block Voting Instruction;

"**Relevant Class Noteholders**" means the Class A Noteholders, the Class B Noteholders and/or the Class C Noteholders, as the context may require;

"**Relevant Fraction**" means:

(a) for all business other than voting on an Extraordinary Resolution, one-twentieth of the Principal Amount Outstanding of the outstanding Notes in that class;

(b) for voting on any Extraordinary Resolution other than one relating to a Basic Terms Modification, two-thirds of the Principal Amount Outstanding of the outstanding Notes in that Class (in case of a meeting of a particular Class of the Notes) or two-thirds of the Principal Amount Outstanding of the outstanding Notes of such Classes (in case of a joint meeting of more than one Class of Notes); and

(c) for voting on any Extraordinary Resolution relating to a Basic Terms Modification (which must be proposed separately to each relevant Class of Noteholders), three-quarters of the Principal Amount Outstanding of the outstanding Notes in each relevant Class;

provided, however, that, in the case of a Meeting which has resumed after adjournment for want of a quorum, it means:

(1) for all business other than voting on an Extraordinary Resolution relating to a Basic Terms Modification, more than one third of the Principal Amount Outstanding of the outstanding Notes in that Class or, in case of a joint meeting of more than one Class of Notes, Classes represented or held by Voters actually present at the Meeting; and

(2) for voting on any Extraordinary Resolution relating to a Basic Terms Modification (which must be proposed separately to each relevant Class of Noteholders), more than 50% of the Principal Amount Outstanding of the outstanding Notes in each relevant Class;

"**Rules**" means these Rules of the Organisation of the Noteholders;

"**Specified Office**" means the office of the Agent located at Via Borgogna 8, 20121 Milan, Italy;

"**Voter**" means, in relation to any Meeting, the holder of a Blocked Note;

"**Voting Certificate**" means, in relation to any Meeting, a certificate issued by the Agent and dated in which it is stated, *inter alia*:

(a) that the Blocked Notes have been blocked in an account with a Monte Titoli Account Holder and will not be released until the earlier of: (x) conclusion of the Meeting (or any adjournment of such Meeting); and (y) the surrender of the Block Voting Instruction to the Monte Titoli Account Holder;

(b) the number of the Blocked Notes; and

(c) that the bearer of such certificate is entitled to attend and vote at the Meeting in respect of the Blocked Notes.

"**Written Resolution**" means a resolution in writing signed by or on behalf of all holders of Notes who for the time being are entitled to receive notice of a Meeting in accordance with the provisions of these Rules, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the Notes;

"**24 hours**" means a period of 24 hours including all or part of a day upon which banks are open for business in both the places where the Meeting is to be held and in the place where the Agent has its Specified Office (disregarding for this purpose the day upon which such Meeting is to be held) and such period shall be extended by one period or, to the extent necessary, more periods of 24 hours until there is included as aforesaid all or part of a day upon which banks are open for business as aforesaid; and

"**48 hours**" means 2 consecutive periods of 24 hours.

Other defined terms and expressions shall have the meaning given to them in the Conditions.

Article 3

Organisation purpose

Each holder of Class A Notes, Class B Notes and Class C Notes is a member of the Organisation of Noteholders.

The purpose of the Organisation of Noteholders is to co-ordinate the exercise of the rights of the Noteholders and, more in general, the taking of any action for the protection of their interests.

TITLE II

THE MEETING OF NOTEHOLDERS

Article 4

General

Subject to Article 20 below, any resolution passed at a Meeting duly convened and held in accordance with these Rules shall be binding upon all the Noteholders of such Class whether present or not present at such Meeting and whether or not voting, and

(a) any resolution passed at a meeting of the Class A Noteholders duly convened and held as aforesaid shall also be binding upon all the Class B Noteholders and the Class C Noteholders; and

(b) any resolution passed at a meeting of the Class B Noteholders duly convened and held as aforesaid shall also be binding upon all the Class C Noteholders,

and, in each case, all the relevant Classes of Noteholders shall be bound to give effect to any such resolution accordingly and the passing of any such resolution shall be conclusive evidence that the circumstances justify the passing thereof.

Notice of the result of every vote on a resolution duly considered by the Noteholders shall be published, at the expense of the Issuer, in accordance with the Conditions and given to the Agent (with a copy to the Board of Directors and the Representative of the Noteholders) within 14 days of the conclusion of the Meeting.

Subject to the provisions of these Rules and the Conditions, joint Meetings of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders may be held to consider the same resolution and/or, as the case may be, the same Extraordinary Resolution (other than an Extraordinary Resolution relating to a Basic Terms Modification) and the provisions of these Rules shall apply *mutatis mutandis* thereto.

The following provisions shall apply where outstanding Notes belong to more than one Class:

(a) business which in the opinion of the Representative of the Noteholders affects only one Class of Notes shall be transacted at a separate Meeting of the Noteholders of such Class;

(b) business which in the opinion of the Representative of the Noteholders affects more than one Class of Notes but does not give rise to an actual or potential conflict of interest between the Noteholders of one such Class of Notes and the Noteholders of any other Class of Notes shall be transacted either at separate Meetings of the Noteholders of each such Class of Notes or at a single Meeting of Noteholders of all such Classes of Notes as the Representative of the Noteholders shall determine at its absolute discretion;

(c) business which in the opinion of the Representative of the Noteholders affects the Noteholders of more than one Class of Notes and gives rise to an actual or potential conflict of interest between the Noteholders of one such Class of Notes and the Noteholders of any other Class of Notes shall be transacted at separate Meetings of the Noteholders of each such Class.

In this paragraph "**business**" includes (without limitation) the passing or rejection of any resolution.

Article 5

Issue of Voting Certificates and Block Voting Instructions

Noteholders may obtain a Voting Certificate from the Agent or require the Agent to issue a Block Voting Instruction by arranging for such Note to be blocked in an account with a Monte Titoli Account Holder, not less than 48 hours before the time fixed for a Meeting, providing to the Agent, where appropriate, evidence that the Notes are so blocked. Noteholders may obtain such evidence by requesting their Monte Titoli Account Holders to release a certificate in accordance with Article 34 of CONSOB Regulation 11768 of 23 December 1998 (as subsequently amended and integrated). A Voting Certificate or Block Voting Instruction shall be valid until conclusion of the Meeting specified in the Voting Certificate or the Block Voting Instruction, or any adjournment of such Meeting, and the Monte Titoli Account Holder shall not be allowed to release the Blocked Notes to which it relates before such date unless the Voting Certificate or the Block Voting Instruction is first surrendered to it. So long as a Voting Certificate or Block Voting Instruction is valid, the bearer thereof (in the case of a Voting Certificate) or any Proxy named therein (in the case of a Block Voting Instruction) shall be deemed to be the holder of the Blocked Notes to which it relates for all purposes in connection with the Meeting. A Voting Certificate and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Note.

Article 6

Validity of Block Voting Instructions

A Block Voting Instruction shall be valid only if it is deposited at the Specified Office of the Agent, or at some other place approved by the Agent, at least 24 hours before the time fixed for the Meeting and if not deposited before such deadline, the Block Voting Instruction shall not be valid unless the Chairman decides otherwise before the Meeting proceeds to business. If the Agent requires, a notarised copy of each Block Voting Instruction and satisfactory proof of the identity of each Proxy named therein shall be produced at the Meeting, but the Agent shall not be obliged to investigate the validity of any Block Voting Instruction or the authority of any Proxy.

Article 7

Convening of Meeting

The Board of Directors and the Representative of the Noteholders may convene a Meeting of one or more Class(es) of Noteholders at any time, and shall be obliged to do so upon the request in writing of Noteholders holding not less than one-twentieth of the Principal Amount Outstanding of the outstanding Notes of the Class or Classes in respect of which the Meeting is being convened.

Whenever the Board of Directors is about to convene any such Meeting, it shall immediately give notice in writing to the Representative of the Noteholders of the day, time and place thereof and of the nature of the business to be transacted thereat. Every such Meeting shall be held at such place as the Representative of the Noteholders may designate or approve.

Article 8

Notice

At least 21 days' notice (exclusive of the day on which the notice is given and of the day on which the Meeting is to be held) specifying the date, time and place of the Meeting shall be given to the Noteholders of the relevant Class(es) and the Agent (with a copy to the Board of Directors and to the Representative of the Noteholders), and published in accordance with Condition 14 (Notices) of the Terms and Conditions of the Notes at least 15 days

before the date of the Meeting. The notice shall set out the full text of any resolutions to be proposed and shall state that the Notes may be deposited with, or to the order of, the Agent for the purpose of obtaining Voting Certificates or appointing Proxies not later than 48 hours before the time fixed for the Meeting.

Article 9

Chairman of the Meeting

An individual (who may, but need not, be a Noteholder) nominated in writing by the Representative of the Noteholders may take the chair at any Meeting but: (i) if no such nomination is made, (ii) if the individual nominated is not present within 15 minutes after the time fixed for the Meeting or (iii) the Meeting resolves not to approve the appointment made by the Representative of the Noteholders, those present shall elect one of themselves to take the chair failing which, the Board of Directors may appoint a Chairman. The Chairman of an adjourned Meeting need not be the same person as the Chairman of the original Meeting.

The Chairman co-ordinates matters to be transacted at the Meeting and monitors the fairness of the Meeting's proceedings.

Article 10

Quorum

The quorum at any Meeting shall be at least one or more Voters representing or holding not less than the Relevant Fraction of the aggregate Principal Amount Outstanding of the Notes of the relevant Class or Classes.

Article 11

Adjournment for want of quorum

If within 15 minutes after the time fixed for any Meeting a quorum is not present, then it shall be adjourned for such period (which shall be not less than 14 days and not more than 42 days) and at such place as the Chairman determines; provided, however, that no Meeting may be adjourned more than once by resolution of Meeting that represents less than a Relevant Fraction applicable in the case of Meetings which have been resumed after adjournment. Notice shall be published in accordance with Condition 14 (Notices) of the Terms and Conditions of the Notes not more than 8 days before the date of the meeting.

Article 12

Adjourned Meeting

The Chairman may, with the consent of (and shall if directed by) any Meeting, adjourn such Meeting from time to time and from place to place, provided that no business shall be transacted at any adjourned Meeting except business which might lawfully have been transacted at the Meeting from which the adjournment took place.

Article 13

Notice following adjournment

Article 8 shall apply to any Meeting which is to be resumed after adjournment save that:

(a) 8 days' notice (exclusive of the day on which the notice is given and of the day on which the Meeting is to be resumed) shall be sufficient; and

(b) the notice shall specifically set out the quorum requirements which will apply when the Meeting resumes.

It shall not be necessary to give notice of the resumption of a Meeting which has been adjourned for any other reason.

Article 14

Participation

The following may attend and speak at a Meeting:

(a) Voters;

(b) the directors of the Board of Directors and other representatives of the Issuer and the Agent;

(c) the financial advisers to the Issuer;

(d) the legal counsel to the Issuer, the Representative of the Noteholders and the Agent;

(e) the Representative of the Noteholders; and

(f) such other person as may resolved by the Meeting.

Article 15
Show of hands

Every question submitted to a Meeting shall be decided in the first instance by a show of hands. Unless a poll is validly demanded before or at the time that the result is declared, the Chairman's declaration that on a show of hands a resolution has been passed, passed by a particular majority, rejected or rejected by a particular majority shall be conclusive, without proof of the number of votes cast for, or against, the resolution.

Article 16
Poll

A demand for a poll shall be valid if it is made by the Chairman, the Issuer, the Representative of the Noteholders or one or more Voters representing or holding not less 10 (ten) Notes. The poll may be taken immediately or after such adjournment as the Chairman directs, but any poll demanded on the election of the Chairman or on any question of adjournment shall be taken at the Meeting without adjournment. A valid demand for a poll shall not prevent the continuation of the Meeting for any other business as the Chairman directs.

Article 17
Votes

Every Voter shall have:

(a) on a show of hands, one vote; and

(b) on a poll, one vote in respect of each Euro 50,000 in aggregate face amount of the outstanding Note(s) represented or held by him.

In the case of a voting tie the Chairman shall have a casting vote.

Unless the terms of any Block Voting Instruction state otherwise, a Voter shall not be obliged to exercise all the votes to which he is entitled or to cast all the votes which he exercises in the same manner.

Article 18
Vote by Proxies

Any vote by a Proxy in accordance with the relevant Block Voting Instruction shall be valid even if such Block Voting Instruction or any instruction pursuant to which it was given has been amended or revoked, provided that the Agent has not been notified in writing of such amendment or revocation not less than 24 hours before the time fixed for the Meeting. Unless revoked, any appointment of a Proxy under a Block Voting Instruction in relation to a Meeting shall remain in force in relation to any Meeting resumed following an adjournment, except for any appointment of a Proxy in relation to a Meeting originally convened which has been adjourned for want of a quorum. Any person appointed to vote at such a Meeting must be re-appointed under a Block Voting Instruction Proxy to vote at the Meeting when it is resumed.

Article 19
Exclusive Powers of the Meeting

The Meeting shall have exclusive powers:

(a) without prejudice to Article 28 (B) (a), to approve any Basic Terms Modification and any other proposal by the Issuer for any modification, abrogation, variation or compromise of any of the Conditions or any arrangement in respect of the obligations of the Issuer under or in respect of the Notes;

(b) to approve the substitution of any person for the Issuer (or any previous substitute) as principal obligor under the Notes;

(c) without prejudice to Article 28 (B)(a), to waive any breach or authorise any proposed breach by the Issuer of its obligations under or in respect of the Notes or any act or omission which might otherwise constitute an Enforcement Event under the Notes;

(d) to direct the Representative of the Noteholders to concur in and execute and do all such documents, acts and things as may be necessary to carry out and give effect to any Written Resolution; and

(e) to exercise, enforce or dispose of any right and power on payment and application of funds deriving from any claims on which a pledge or other security interest is created in favour of the Noteholders, otherwise than in accordance with the Transaction Documents;

provided however that, for the sake of clarity, the Representative of the Noteholders shall not be required to comply with any direction or resolution of a Meeting unless it has been indemnified or secured to its satisfaction against any losses that it may reasonably incur as a result of so acting.

Article 20

Powers exercisable by Extraordinary Resolution

A Meeting of the Noteholders of any Class of Notes duly convened and held in accordance with these Rules shall, in addition to the powers herein given, have the following powers exercisable by Extraordinary Resolution:

(a) power to sanction any proposal by the Issuer for any alteration, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Noteholders against the Issuer or against any of its property or against any other person whether such rights shall arise under these Rules, the Notes or otherwise;

(b) power to sanction any scheme or proposal for the exchange or substitution or sale of any of the Notes or the Notes of any Class for, or the conversion of the Notes of any Class into, or the cancellation of any of the Notes of any Class, in consideration of shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or of any other body corporate formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, notes, bonds, debenture stock and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash;

(c) power to assent to any alteration of the provisions contained in these Rules, the Conditions, the Intercreditor Agreement, the Cash Allocation, Management and Agency Agreement or any other Transaction Document which shall be proposed by the Issuer and/or the Representative of the Noteholders or any other party thereto;

(d) power to discharge or exonerate the Representative of the Noteholders from any liability in respect of any act or omission for which the Representative of the Noteholders may be responsible under or in relation to these Rules, the Conditions or any other Transaction Document;

(e) power to give any authority, direction or sanction which under the provisions of these Rules or the Conditions is required to be given by Extraordinary Resolution;

(f) power to authorise or direct and sanction the actions, in compliance with these Rules, of the Representative of the Noteholders under the terms of the Intercreditor Agreement and any other Transaction Documents and in particular power to sanction the release of the Issuer by the Representative of the Noteholders;

(g) to authorise the Representative of the Noteholders to serve an Enforcement Notice, as a consequence of an Enforcement Event under Condition 11 of the Terms and Conditions of the Notes;

(h) following the service of an Enforcement Notice, power to resolve on the sale of one or more Receivable(s) comprised in the Portfolio; and

(i) power to sanction a Basic Terms Modification,

provided that:

(i) no Extraordinary Resolution involving a Basic Terms Modification passed by:

(x) the Class C Noteholders shall be effective unless it is sanctioned by an Extraordinary Resolution of the Class A Noteholders and the Class B Noteholders (to the extent that the Class A Notes and Class B Notes are then outstanding), *provided however that* if the Representative of the Noteholders is of the opinion that the Class A Noteholders and/or the Class B Noteholders will not be actually or potentially affected by

such Basic Terms Modification concerning the Class C Notes, such sanction of the Class A Noteholders and/or the Class B Noteholders will not be required; and

(y) the Class B Noteholders shall be effective unless it is sanctioned by an Extraordinary Resolution of the Class A Noteholders (to the extent that the Class A Notes are then outstanding), *provided however that* if the Representative of the Noteholders is of the opinion that the Class A Noteholders will not be actually or potentially affected by such Basic Terms Modification concerning the Class B Notes, such sanction of the Class A Noteholders will not be required; and

(ii) no other Extraordinary Resolution of:

(x) the Class C Noteholders shall be effective unless (A) the Representative of the Noteholders is of the opinion that it will not be materially prejudicial to the interests of the Class A Noteholders and/or the Class B Noteholders (to the extent that the Class A Notes and Class B Notes are then outstanding) or (B) (to the extent that the Representative of the Noteholders is not of that opinion) it is sanctioned by an Extraordinary Resolution of the Class A Noteholders and/or the Class B Noteholders (to the extent that the Class A Notes and Class B Notes are then outstanding); or

(y) the Class B Noteholders shall be effective unless (A) the Representative of the Noteholders is of the opinion that it will not be materially prejudicial to the interests of the Class A Noteholders (to the extent that the Class A Notes are then outstanding) or (B) (to the extent that the Representative of the Noteholders is not of that opinion) it is sanctioned by an Extraordinary Resolution of the Class A Noteholders (to the extent that the Class A Notes are then outstanding),

provided however that, for the sake of clarity, the Representative of the Noteholders shall not be required to comply with any direction or resolution of a Meeting unless it has been indemnified or secured to its satisfaction against any losses that it may reasonably incur as a result of so acting.

Article 21

Challenge of Resolution

Each Noteholder who was absent and (or) dissenting can challenge Resolutions which are not passed in conformity under the provisions of these Rules.

Article 22

Minutes

Minutes shall be made of all resolutions and proceedings at each Meeting. The Chairman shall sign the minutes, which shall be prima facie evidence of the proceedings recorded therein. Unless and until the contrary is proved, every such Meeting in respect of the proceedings of which minutes have been summarised and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

Article 23

Written Resolution

A Written Resolution shall take effect as if it were an Extraordinary Resolution.

Article 24

Individual Actions and Remedies

The right of each Noteholder to bring individual actions or take other individual remedies, that do not amount to bankruptcy, insolvency or compulsory liquidation proceedings, or other proceedings under any bankruptcy or similar law, to enforce his/her rights under the Notes will be subject to the Meeting of Noteholders of the then highest ranking Class of Notes then outstanding and, if different, of the Class of Noteholders of which such Noteholder is part, not passing a resolution objecting to such individual action or other remedy on the grounds that it is not convenient at the time when the Meeting is held, having regard to the interests of the Noteholders. In this respect, the following provisions shall apply:

(a) the Noteholder intending to enforce his/her rights under the Notes will notify the Representative of the Noteholders of his/her intention;

(b) the Representative of the Noteholders will, without delay, call for the Meeting of Noteholders, in accordance with these Rules;

(c) if the Meeting of Noteholders passes a resolution objecting to the enforcement of the individual action or remedy, the Noteholder will be prevented from taking such action or remedy (provided that the same matter can be submitted again to a further Meeting of Noteholders after a reasonable period of time has elapsed); and

(d) if the Meeting of Noteholders passes a resolution not objecting to the enforcement of the individual action or remedy, or if no resolution is taken by the Meeting for want of quorum, the Noteholder will not be prevented from taking such action or remedy.

No individual action or remedy can be taken by a Noteholder to enforce his/her rights under the Notes before the Meeting of Noteholders has been held to resolve on such action or remedy in accordance with the provisions of this Article 24.

The provisions of the Intercreditor Agreement govern the right of the Noteholders to institute against, or join any other person in instituting against, the Issuer any bankruptcy, insolvency or compulsory liquidation and similar proceedings.

TITLE III

THE REPRESENTATIVE OF THE NOTEHOLDERS

Article 25

Appointment, Removal and Remuneration

The appointment of the Representative of the Noteholders takes place at the Meeting in accordance with the provisions of this Article 25, save as in respect of the appointment of the first Representative of the Noteholders that will be Deutsche Trustee Company Limited.

The Representative of the Noteholders shall be:

(1) a bank incorporated in any jurisdiction of the European Union or a bank incorporated in any other jurisdiction acting through an Italian branch or through a branch situated in a European Union country; or

(2) a company or financial institution registered under article 107 of the Italian Legislative Decree No. 385 of 1993; or

(3) any other entity which may be permitted to act in such capacity by any specific provisions of Italian law applicable to the securitisation of monetary rights and/or by any regulations, instructions, guidelines and/or specific approvals issued by the competent Italian supervising authorities.

The Representative of the Noteholders shall be appointed for unlimited term and can be removed by the Meeting at any time.

In the event of a termination of the appointment of the Representative of the Noteholders for any reason whatsoever, the Representative shall remain in office until acceptance of appointment by the substitute Representative of the Noteholders designated among the entities indicated in 1), 2) and 3) above, and the powers and authority of Representative of the Noteholders whose appointment has been terminated shall be limited to those necessary for the performance of the essential functions which are required to be complied with in connection with the Notes.

Directors, auditors, employees of Issuer and those who fall within the conditions indicated in Article 2399 of the Italian Civil Code cannot be appointed as Representative of the Noteholders, and, if appointed, shall be automatically removed from the appointment.

The Issuer shall pay to the Representative of the Noteholders an annual fee for its services as Representative of the Noteholders as from the date hereof, such fee as agreed in a separate side letter, plus VAT if applicable. The above fees and remuneration shall accrue from day to day and shall be payable in accordance with the applicable Order of Priority up to (and including) the date when the Notes have been repaid in full or cancelled in accordance with the Terms and Conditions of the Notes.

Article 26

Duties and Powers

The Representative of the Noteholders is the legal representative of the Organisation of Noteholders.

The Representative of the Noteholders is responsible for implementing the decisions of the Meeting of the Noteholders and for protecting the common interests of the Noteholders vis-à-vis the Issuer. The Representative of the Noteholders has the right to attend Meetings of Noteholders. The Representative of the Noteholders may convene a Meeting to obtain instructions from the Relevant Class Noteholders on action to be taken.

All actions taken by the Representative of the Noteholders in the execution and exercise of all its powers and authorities and of discretion vested in it shall be taken by duly authorised officer(s) for the time being of the Representative of the Noteholders. The Representative of the Noteholders may also, whenever it considers to be expedient and in the interests of the Noteholders, whether by power of attorney or otherwise, delegate to any person(s) all or any of the powers, authorities and discretion vested in it as aforesaid. Any such delegation may be made upon such terms and conditions and subject to such regulations (including power to sub-delegate) as the Representative of the Noteholders may think fit in the interests of the Noteholders, provided that: (a) the Representative of the Noteholders shall use all reasonable care and skill in the selection of the sub-agent, sub-contractor or representative which (where necessary taking into account the nature of the duties and powers delegated) must fall within one of the categories set out in Article 25 above of these Rules; and (b) the sub-agent, sub-contractor or representative shall undertake to the Issuer to perform the obligations of the Representative of the Noteholders in respect of which it has been appointed.

The Representative of the Noteholders shall not be bound to supervise the proceedings and shall not in any way or to any extent be responsible for any loss incurred by any misconduct or default on the part of such delegate or sub-delegate, unless such loss is attributable to the the contents of any instructions given by the Representative of the Noteholders to such delegate. The Representative of the Noteholders shall as soon as reasonably practicable give notice to the Issuer of the appointment of any delegate and the renewal, extension and termination of such appointment and shall procure that any delegate shall also as soon as reasonably practicable give notice to the Issuer of any sub-delegate.

The Representative of the Noteholders shall be authorised to represent the Organisation of Noteholders in judicial proceedings, including in proceedings involving the Issuer in court supervised administration (*amministrazione controllata*), creditors' agreement (*concordato preventivo*), forced liquidation (*fallimento*) or compulsory administrative liquidation (*liquidazione coatta amministrativa*).

Article 27

Resignation of Representative of the Noteholders

The Representative of the Noteholders may resign at any time upon giving not less than three calendar months' notice in writing to the Issuer without assigning any reason therefor and without being responsible for any costs occasioned by such resignation. The resignation of the Representative of the Noteholders shall not become effective until the Meeting of Noteholders has appointed a new representative of the Noteholders and such newly appointed representative of the Noteholders has unconditionally accepted the appointment. If a new representative of the Noteholders is not appointed by the Meeting of Noteholders sixty days after such notice of resignation, the resigning Representative of the Noteholders will be entitled to appoint its own successor, provided that any such successor shall satisfy with the conditions of Article 25 herein.

Article 28

Exoneration of the Representative of the Noteholders

The Representative of the Noteholders shall not assume any other obligations in addition to those expressly provided herein, in the Conditions and in the other Transaction Documents.

(A) Without limiting the generality of the foregoing, the Representative of the Noteholders:

(a) shall not be under any obligation to take any steps to ascertain whether an Enforcement Event or an other event, condition or act, the occurrence of which would cause a right or remedy to become exercisable by the Representative of the Noteholders hereunder or under any of the other Transaction Documents has happened and, until it shall have actual knowledge or express notice to the contrary, the Representative of the Noteholders shall be entitled to assume that no Enforcement Event or such other event, condition or act has occurred;

(b) shall not be under any obligation to monitor or supervise the observance and performance by the Issuer or any of the other parties to the these Rules or the Transaction Documents of their obligations hereunder and thereunder and, until it shall have actual knowledge or express notice to the contrary, it shall be entitled to assume that the Issuer and each party to these Rules or any Transaction Document is observing and performing all the obligations on its part contained herein and therein;

(c) shall not be under any obligation to give notice to any person of its activities in connection with these Rules or any of the Transaction Documents or any transaction contemplated hereby or thereby;

(d) shall not be responsible for or for investigating the legality, validity, effectiveness, adequacy, suitability or genuineness of these Rules or of any Transaction Document, or any other document or any obligation or rights created or purported to be created hereby or thereby or pursuant hereto or thereto, and (without prejudice to the generality of the foregoing), it shall not have any responsibility for or have any duty to make any investigation in respect of or in any way be liable whatsoever for (i) the nature, status, creditworthiness or solvency of the Issuer, (ii) the existence, accuracy or sufficiency of any legal or other opinions, searches, reports, certificates, valuations or investigations delivered or obtained or required to be delivered or obtained at any time in connection herewith or therewith; (iii) the suitability, adequacy or sufficiency of any collection procedures operated by the Servicer or compliance therewith; (iv) the failure by the Issuer to obtain or comply with any licence, consent or other authority in connection with the purchase or administration of the Portfolio; (v) any accounts, books, records or files maintained by the Issuer, the Servicer and the Agent or any other person in respect of the Portfolio;

(e) shall not be responsible for the receipt or application by the Issuer of the proceeds of the issue of the Notes or the distribution of any of such proceeds to the persons entitled thereto;

(f) shall have no responsibility for the maintenance of any rating of the Notes by the Rating Agencies or any other credit or rating agency or any other person;

(g) shall not be responsible for or for investigating any matter which is the subject of, any recitals, statements, warranties or representations of any party other than the Representative of the Noteholders contained herein or any other Transaction Document;

(h) shall not be bound or concerned to examine or enquire into or be liable for any defect or failure in the right or title of the Issuer to the Portfolio or any part thereof whether such defect or failure was known to the Representative of the Noteholders or might have been discovered upon examination or enquiry or whether capable or remedy or not;

(i) shall not be liable for any failure, omission or defect in registering or filing or procuring registration or filing of or otherwise protecting or perfecting these Rules or any Transaction Document;

(j) shall not be under any obligation to insure the Portfolio or any part thereof;

(k) shall not be obliged to have regard to the consequences of any modification of these Rules or any of the Transaction Documents for individual Noteholders or any relevant persons resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to, the jurisdiction of any particular territory;

(l) shall not (unless and to the extent ordered so to do by a court of competent jurisdiction) be under any obligation to disclose to any Noteholder, any Other Issuer Creditor or any other party any confidential, financial, price sensitive or other information made available to the Representative of the Noteholders by the Issuer or any other person in connection with these Rules and no Noteholder, the Noteholders, the Other Issuer Creditors or any other party shall be entitled to take any action to obtain from the Representative of the Noteholders any such information;

(m) shall not be bound to take any steps or actions or institute any proceedings before or after an Enforcement Notice is served upon the Issuer following the occurrence of an Enforcement Event, or to take any other action to enforce any security interest created by the Security Documents or any rights granted under the Mandate Agreement, unless it has been indemnified to its satisfaction against all actions, proceedings, claims and demands to which it may thereby render itself liable and all costs, charges, damages and expenses which it may incur by so doing;

(n) shall not be responsible for (except as otherwise provided in the Conditions or in the other Transaction Documents) making or verifying any determination or calculation in respect of the Portfolio and the Notes; and

(o) shall not be responsible for verifying the contents of any auditor's report or certificate, and the Representative of the Noteholders is entitled to rely on such reports and certificates.

(B) The Representative of the Noteholders:

(a) may agree amendments or modifications to these Rules or to any of the Transaction Documents or agree to waivers which in the opinion of the Representative of the Noteholders is expedient to make or is to correct a manifest error or is of a formal, minor or technical nature. Any such modification shall be binding on the Noteholders and, unless the Representative of the Noteholders otherwise agrees, the Issuer shall cause such modification to be notified to the Noteholders as soon as practicable thereafter;

(b) may agree amendments or modifications to these Rules (other than in respect of a Basic Terms Modification or any provision in these Rules referred to in the definition of "**Basic Terms Modification**") or to the Transaction Documents which, in the opinion the Representative of the Noteholders, it may be proper to make provided that the Representative of the Noteholders is of the opinion that such modification will not be materially prejudicial to the interests of the Class A Noteholders, or, in the event the Class A Notes have been redeemed in full, the Class B Noteholders, or, in the event the Class B Notes have been redeemed in full, the Class C Noteholders;

(c) may act on the advice or a certificate or opinion of or any information obtained from any lawyer, accountant, banker, broker, credit or rating agency or other expert whether obtained by the Issuer, the Representative of the Noteholders or otherwise and shall not, in the absence of fraud (frode), gross negligence (colpa grave) or wilful misconduct (dolo) on the part of the Representative of the Noteholders, be responsible for any loss occasioned by so acting. Any such advice, opinion or information may be sent or obtained by letter, telex, telegram, facsimile transmission or cable and, in the absence of fraud (frode), gross negligence (colpa grave) or wilful misconduct (dolo) on the part of the Representative of the Noteholders, the Representative of the Noteholders shall not be liable for acting on any advice, opinion or information contained in or purported to be conveyed by any such letter, telex, telegram, facsimile transmission or cable notwithstanding any error contained therein or the non-authenticity of the same;

(d) may call for and shall be at liberty to accept as sufficient evidence of any fact or matter, unless any of its officers in charge of the administration of these Rules shall have actual knowledge or express notice to the contrary, a certificate duly signed by of the Issuer, and the Representative of the Noteholders shall not be bound in any such case to call for further evidence or be responsible for any loss that may be occasioned by the Representative of the Noteholders acting on such certificate;

(e) save as expressly otherwise provided herein, shall have absolute discretion as to the exercise, non-exercise or refraining from exercise of any right, power and discretion vested in the Representative of the Noteholders by these Rules or by operation of law and the Representative of the Noteholders shall not be responsible for any loss, costs, damages, expenses or inconveniences that may result from the exercise, non-exercise or refraining from exercise thereof except insofar as the same are incurred as a result of its fraud (frode), gross negligence (colpa grave) or wilful misconduct (dolo);

(f) shall be at liberty to hold or to leave in custody these Rules, the Transaction Documents and any other documents relating hereto in any part of the world with any bank officer or financial institution or company whose business includes undertaking the safe custody of documents or lawyer or firm of lawyers or notary considered by the Representative of the Noteholders to be of good repute and the Representative of the Noteholders shall not be responsible for or required to insure against any loss incurred in connection with any such custody and may pay all sums required to be paid on account of or in respect of any such custody;

(g) in connection with matters in respect of which the Representative of the Noteholders is entitled to exercise its discretion hereunder, the Representative of the Noteholders is entitled to convene a Meeting of the Noteholders of the relevant Class or Classes of Notes in order to obtain from them instructions upon how the Representative of the Noteholders should exercise such discretion provided that nothing herein shall be construed so as to oblige the Representative of the Noteholders to convene such a Meeting. Prior to undertaking any action, the Representative of the Noteholders shall be entitled to request at the Meeting to be indemnified and/or provided with

security to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs, charges, damages, expenses and liabilities which it may incur by taking such action;

(h) in connection with matters in respect of which the Noteholders are entitled to direct the Representative of the Noteholders, the Representative of the Noteholders shall not be liable for acting upon any resolution purporting to have been passed at any Meeting of the Noteholders of the relevant Class or Classes of Notes in respect whereof minutes have been made and signed even though subsequent to its acting, it transpires that the Meeting was not duly convened or constituted, such resolution was not duly passed or that the resolution was otherwise not valid or binding upon the Noteholders;

(i) may call for and shall be at liberty to accept and place full reliance on and as sufficient evidence of the facts stated therein, a certificate or letter of confirmation certified as true and accurate and signed on behalf of any common depository as the Representative of the Noteholders considers appropriate, or any form of record made by any such depository to the effect that at any particular time or throughout any particular period, any particular person is, was, or will be, shown in its records as entitled to a particular number of Notes;

(j) may certify whether or not an Enforcement Event is in its opinion materially prejudicial to the interests of the Noteholders of any Class and any such certificate shall be conclusive and binding upon the Issuer, the Noteholders, the Other Issuer Creditors and any other relevant person;

(k) may determine whether or not a default in the performance by the Issuer of any obligation under the provisions of these Rules or contained in the Conditions or any of the other Transaction Documents is capable of remedy and, if the Representative of the Noteholders shall certify that any such default is, in its opinion, not capable of remedy, such certificate shall be conclusive and binding upon the Issuer, the Noteholders and any relevant person;

(l) may assume without enquiry that no Notes are for the time being held by or for the benefit of the Issuer;

(m) shall be entitled to call for and to rely upon a certificate or any letter of confirmation or explanation reasonably believed by it to be genuine, of any party to the Intercreditor Agreement or any Other Issuer Creditor or any rating agency in respect of every matter and circumstance for which a certificate is expressly provided for hereunder or any other Transaction Document or in respect of the rating of the Notes and it shall not be bound in any such case to call for further evidence or be responsible for any loss, liability, costs, damages, expenses or inconvenience that may be occasioned by its failing so to do;

(n) may, in determining whether any event, matter or thing will not materially affect the interest of the Noteholders and the Other Secured Creditors, have regard, along with any other relevant factors, to whether the Rating Agencies have confirmed that such event, matter or thing will not result in the withdrawal, reduction or entail any other adverse action with respect to the then current rating of any Class of Notes; and

(o) shall be free to enter into any further business relationship with the Issuer, the Originator, the Arrangers or any other party to the Transaction Documents.

If the Representative of the Noteholders, in order to properly exercise its rights and fulfil its obligations, deems it necessary, expedient or appropriate to obtain the valuation of the Rating Agencies regarding how a specific act would affect the rating of the Notes or any Class of them, the Representative of the Noteholders shall so inform the Issuer, which shall have to obtain the valuation at its expense on behalf of the Representative of the Noteholders, unless the Representative of the Noteholders wishes to seek and obtain the valuation itself (in which case it shall, for the sake of clarity, be reimbursed of all expenses incurred and duly documented).

Any consent or approval given by the Representative of the Noteholders under these Rules and any other Transaction Document may be given on such terms and subject to such conditions (if any) as the Representative of the Noteholders thinks fit and notwithstanding anything to the contrary contained herein or in any other Transaction Document, such consent or approval may be given retrospectively.

No provision of these Rules shall require the Representative of the Noteholders to do anything which may be illegal or contrary to applicable law or regulation. No provisions of these Rules shall require the Representative of the Noteholders to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties, or in the exercise of any of its rights or powers, unless the Representative of the Noteholders

has first been indemnified or secured to its satisfaction against any loss or liability, which it may incur as a result of such action.

Article 29

Security Documents

The Representative of the Noteholders shall be entitled to exercise all the rights granted by the Issuer in favour of the Noteholders and the Other Issuer Creditors under the Deed of Pledge. The Security Trustee shall be entitled to exercise all the rights granted by the Issuer under the Deed of Charge as trustee of the Issuer Secured Creditors The beneficiaries of the Security Documents are referred to herein as the "**Secured Parties**".

The Representative of the Noteholders, acting on behalf of the Secured Parties, may:

(a) appoint and entrust the Issuer to collect, in the Secured Parties' interest and on their behalf, any amounts deriving from the pledged claims and rights and may instruct, jointly with the Issuer, the relevant debtors of the pledged claims to make any payments to be made thereunder to an Account of the Issuer;

(b) acknowledge that the account(s) to which payments have been made in respect of the pledged claims shall be deposit accounts for the purpose of Article 2803 of the Italian Civil Code and agrees that such account(s) shall be operated in compliance with the provisions of the Cash Allocation, Management and Agency Agreement and the Intercreditor Agreement;

(c) agree that all funds credited to the relevant Accounts from time to time shall be applied in accordance with the Cash Allocation, Management and Agency Agreement and the Intercreditor Agreement and that available funds standing to the credit of the AM2 Investment Account, AM2 Principal Accumulation Account and AM2 Cash Collateral Account may be used for investments in Eligible Investments;

(d) agree that cash deriving from time to time from the pledged claims and the amounts standing to the credit of the relevant Accounts shall be applied in accordance with the applicable Order of Priority.

The Secured Parties irrevocably waive any right which they may have hereunder in respect of cash deriving from time to time from the pledged claims and amounts standing to the credit of the Accounts which is not in accordance with the foregoing. The Representative of the Noteholders shall not be entitled to collect, withdraw or apply, or issue instructions for the collection, withdrawal or application of, cash deriving from time to time from the pledged claims under the Security Documents except in accordance with the foregoing and the Intercreditor Agreement.

Article 30

Indemnity

It is hereby acknowledged that the Issuer has covenanted and undertaken under the Subscription Agreement to reimburse, pay or discharge (on a full indemnity basis) on demand, to the extent not already reimbursed, paid or discharged by any Noteholders, all costs, liabilities, losses, charges, expenses, damages, actions, proceedings, claims and demand (including, without limitation, legal fees and any applicable value added tax or similar tax) properly incurred by or made against the Representative of the Noteholders or by any persons appointed by it to whom any power, authority or discretion may be delegated by it, in relation to the preparation and execution of, the exercise or purported exercise of its powers and performance of its duties under, and in any other manner in relation to, these Rules or the Transaction Documents, including but not limited to legal and travelling expenses and any stamp, issue, registration, documentary and other taxes or duties paid by the Representative of the Noteholders in connection with any action and/or legal proceedings brought or contemplated by the Representative of the Noteholders pursuant the Transaction Documents, or against the Issuer or any other person for enforcing any obligations hereunder, the Notes or the Transaction Documents, except insofar as the same are incurred because of the fraud (*frode*), gross negligence (*colpa grave*) or wilful misconduct (*dolo*) of the Representative of the Noteholders.

TITLE IV

THE ORGANISATION OF NOTEHOLDERS UPON A SERVICE OF AN ENFORCEMENT NOTICE

Article 31

Powers

It is hereby acknowledged that, upon service of an Enforcement Notice, the Representative of the Noteholders shall, pursuant to the Mandate Agreement, be entitled, in its capacity as legal representative of the Organisation of the Noteholders, also in the interest and for the benefits of the Other Issuer Creditors, pursuant to Articles 1411 and 1723 of the Italian Civil Code, to exercise certain rights in relation to the Portfolio pursuant to the Transaction Documents and in particular, to dispose of the Portfolio in accordance with Condition 11(B). Therefore, the Representative of the Noteholders, in its capacity as legal representative of the Organisation of the Noteholders, will be authorised to exercise, in the name and on behalf of the Issuer and as *mandatario in rem propriam* of the Issuer, all and any of the Issuer's Rights, including the right to give directions and instructions to the relevant parties to the Transaction Documents.

In connection with any proposed sale of one or more Receivable(s) comprised in the Portfolio, the Representative of the Noteholders may, but shall not be obliged to, convene a Meeting in accordance with the provisions set out in these Rules to resolve on the proposed sale.

TITLE V

ALTERNATIVE DISPUTES RESOLUTIONS

Article 32

These Rules are governed by, and will be construed in accordance with, the laws of Italy.

All dispute arising out of the present Rules, including those concerning its validity, interpretation, performance and termination, shall be settled, irrespective of the number of the parties, by an arbitration panel consisting of three arbitrators (one of whom shall be the President) who shall be directly appointed by the Chamber of National and International Arbitration of Milan. The arbitration shall be conducted in accordance with the Rules of the Chamber of National and International Arbitration of Milan (*Regole di Arbitrato Internazionale della Camera di Commercio Nazionale e Internazionale di Milano*), which each of the Noteholders acknowledge to have read and to accept in their entirety.

The arbitrators shall decide according to the laws of Italy and not *ex aequo et bono*.

The seat of the arbitration shall be in Milan. The language of the arbitration will be English. Any disputes that cannot be settled by arbitration shall be submitted to the exclusive jurisdiction of the courts of Milan.

Taxation

The following is a general summary of current Italian law and practice relating to certain Italian tax considerations concerning the purchase, ownership and disposition of the Notes. It does not purport to be a complete analysis of all tax considerations that may be relevant to your decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of prospective beneficial owners of Notes, some of which may be subject to special rules. The following summary does not discuss the treatment of Notes that are held in connection with a permanent establishment or fixed base through which a non-Italian resident beneficial owner carries on business or performs professional services in Italy.

This summary is based upon tax laws and practice of Italy in effect on the date of this Offering Circular which are subject to change potentially, retroactively.

Prospective purchasers of Notes should consult their tax advisers as to the consequences under Italian tax law, under the tax laws of the country in which they are resident for tax purposes and of any other potentially relevant jurisdiction of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws.

Prospective should in any event seek their own professional advice regarding the Italian or other tax consequences of the subscription, purchase, ownership and disposition of the Notes in these circumstances, including the effect of any state, local or foreign tax laws.

Income tax on the proceeds

Under the current legislation, pursuant to the provision of Article 6, paragraph 1, of the Securitisation Law and Italian Legislative Decree No. 239 of 1 April 1996, as amended and restated ("**Decree No. 239**"), payments of interest and other proceeds in respect of the Notes:

(a) will be subject to an "*imposta sostitutiva*" at the rate of 12.5% in the Republic of Italy if made to beneficial owners who are: (i) individuals resident in the Republic of Italy for tax purposes, holding Notes not in connection with entrepreneurial activities (unless they have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called "*risparmio gestito*" regime according to Article 7 of Legislative Decree No. 461 of 21 November 1997 - the "**Asset Management Option**"); (ii) Italian resident non-commercial partnerships; (iii) Italian resident public and private entities, other than companies, not carrying out commercial activities as their exclusive or principal purpose (including the Italian State and public entities); (iv) Italian resident entities exempt from corporate income tax; and (v) non-Italian resident entities or persons without a permanent establishment in Italy to which the Notes are effectively connected, which are not eligible for the exemption from the "*imposta sostitutiva*" and/or do not timely comply with the requirements set forth in Decree No. 239 and the relevant application rules in order to benefit from the exemption from the "*imposta sostitutiva*". As to non-Italian resident beneficial owners, the "*imposta sostitutiva*" may be reduced under double taxation treaties entered into by Italy, where applicable.

The final 12.5% "*imposta sostitutiva*" will be applied by the Italian resident qualified financial intermediaries that will intervene, in any way, in the collection of interest and other proceeds on the Notes or in the transfer of the Notes;

(b) will not be subject to the "*imposta sostitutiva*" at the rate of 12.5% if made to beneficial owners who are: (i) Italian resident corporations, commercial partnerships, individual entrepreneurs holding Notes in connection with entrepreneurial activities or permanent establishments in Italy of non resident corporations to which the Notes are effectively connected; (ii) Italian resident collective investment funds, SICAVs and Italian pension funds referred to in Legislative Decree No. 124 of 21 April 1993; (iii) Italian resident individuals holding Notes not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an Italian authorised financial intermediary and have opted for the Asset Management Option; (iv) Italian real estate investment funds ("*Fondi comuni di investimento immobiliare*"); and (v), non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected, *provided that*:

(i) they are resident in a country which allows an adequate exchange of information. With reference to the above condition, according to Ministerial Decree of 12 December 2001, the present list of the countries allowing an adequate exchange of information is that contained in the Ministerial Decree 4 September, 1996 - as subsequently amended and supplemented - which contemplates all the countries with which Italy has entered into a double taxation treaty providing for an exchange of information clause. The exemption from the "*imposta sostitutiva*" also applies to (i) non resident

"institutional investors" (i.e. entities whose activity consists in making or managing investments on their own behalf or on behalf of other persons, as defined by *Circolare dell'Agenzia delle Entrate* dated 1 March 2002 No. 23/E), even if they are not treated as taxpayers in their country of residence, but provided that they are resident in a country which allows an adequate exchange of information, (ii) international organizations created pursuant to international treaties that are effective in Italy, and (iii) central banks or entities managing also the official reserves of the State;

(ii) the Notes are deposited directly or indirectly: (i) with a bank or an Italian securities dealing firm ("**SIM**") resident in Italy; (ii) with the Italian permanent establishment of a non-resident bank or brokerage company which is electronically connected with the Italian Ministry of Economy and Finance; or (iii) with a non-resident entity or company which has an account with a centralised clearance and settlement system (such as Euroclear or Clearstream Luxembourg) which has a direct relationship with the Italian Ministry of Economy and Finance; or (iv) a centralized managing company of financial instruments, authorized in accordance with Article 80 of Legislative Decree no. 58 of 24 February 1998;

(iii) the banks or brokers mentioned in (b) above receive a self-declaration from the beneficial owner of the interest which states that the beneficial owner is a resident of that country. The self-declaration, which must be in conformity with the model approved by the Ministry of Economy and Finance (approved with Decree of the Ministry of Economy and Finance 12 December 2001, published in the Ordinary Supplement No. 287 to the Official Journal No. 301 of 29 December 2001), is valid until revoked by the investor and does not have to be filed if an equivalent self-declaration (including Form 116/IMP) has been submitted to the same intermediary for the same or different purposes; in the case of institutional investors not subject to tax, the institutional investor shall be regarded as the beneficial owner and the relevant self-declaration shall be produced by the management company; and

(iv) the banks or brokers mentioned in (b) and (c) above receive all necessary information to identify the non-resident beneficial owner of the deposited debt securities, and all necessary information in order to determine the amount of interest that such beneficial owner is entitled to receive.

Non-resident holders are subject to the 12.5% substitute tax on interest and other proceeds on the Notes if any of the above conditions (a), (b), (c) and (d) is not satisfied.

Italian resident individuals holding Notes not in connection with entrepreneurial activity who have opted for the Asset Management Option are subject to a 12.5% annual substitute tax (the "**Asset Management Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include interest and other proceeds accrued on the Notes). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorised intermediary.

Interest and other proceeds accrued on the Notes held by Italian resident corporations, commercial partnerships, individual entrepreneurs holding the Notes in connection with entrepreneurial activities or permanent establishments in Italy of non-resident corporations to which the Notes are effectively connected, are included in the taxable base for the purposes of: (i) corporate income tax (*imposta sul reddito delle società*, "**IRES**") at 33%; or (ii) individual income tax (*imposta sul reddito delle persone fisiche*, "**IRPEF**"), at progressive rates, plus local surcharges, if applicable; under certain circumstances, such interest is included in the taxable basis of the regional tax on productive activities (*imposta regionale sulle attività produttive*, "**IRAP**"), at a rate of 4.25% (regions may vary the rate up to 1%).

Italian resident collective investment funds and SICAVs are subject to a 12.5% annual substitute tax (the "**Collective Investment Fund Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include interest and other proceeds accrued on the Notes). Pursuant to article 12 of Law Decree no. 269 of 30 September 2003, from 2 October 2003, the Italian resident collective investment funds are subject to a 5% (instead of a 12.5%) annual substitute tax if, according to the fund regulations, at least 2/3 of the fund's assets are invested in stock of small or medium capitalisation companies, listed on an EU regulated market.

Starting from 1 January 2001, Italian resident pension funds are subject to an 11% annual substitute tax (the "**Pension Fund Tax**") in relation to the increase in value of the managed assets accrued at the end of each tax year.

Italian real estate funds created under Article 37 of Legislative Decree No. 58 dated 24 February 1998 and Article 14bis of Law No. 86 dated 25 January 1994 (the "**Real Estate Funds**") are not subject to any substitute tax at the fund level, but any income realised by certain investors is subject to 12.5% withholding tax.

Any positive difference between the nominal amount of the Notes and their issue price is deemed to be interest for tax purposes.

Without prejudice to the above provisions, in the event that the Notes are redeemed in full or in part prior to the expiry of the eighteen month period from the Issue Date, the Issuer may be required to pay an additional amount equal to 20% of interest and other proceeds accrued on the Notes up to the time of the early redemption.

Capital gains

Any capital gain realised upon the sale for consideration or redemption of the Notes will be treated for the purpose of corporate income tax and of individual income tax as part of the taxable business income of Noteholders (and, in certain cases, depending on the status of the Noteholders, may also be included in taxable basis of the regional tax on productive activities), and is therefore subject to tax in Italy according to the relevant tax provisions, if realised by Noteholders who are:

(a) Italian resident corporations;

(b) Italian resident commercial partnerships;

(c) permanent establishments in Italy of foreign corporations to which the Notes are effectively connected; or

(d) Italian resident individuals carrying out a commercial activity, as to any capital gains realised within the scope of the commercial activity carried out.

Pursuant to Legislative Decree No. 461 of 21 November 1997, any capital gain realised by Italian resident individuals holding Notes not in connection with entrepreneurial activity and certain other persons upon the sale for consideration or redemption of the Notes would be subject to an "*imposta sostitutiva*" at the current rate of 12.5%. Under the tax declaration regime, which is the standard regime for taxation of capital gains realised by Italian resident individuals not engaged in entrepreneurial activity, the "*imposta sostitutiva*" on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss. These individuals must report overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax declaration to be filed with the Italian tax authorities for such year and pay the "*imposta sostitutiva*" on such gains together with any balance on income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident individual noteholders holding Notes not in connection with entrepreneurial activity may elect to pay the "*imposta sostitutiva*" separately on capital gains realised on each sale or redemption of the Notes (the "***Risparmio Amministrato***" regime). Such separate taxation of capital gains is allowed subject to: (i) the Notes being deposited with Italian banks, *società di intermediazione mobiliare* (SIM) or certain authorised financial intermediaries; and (ii) an express election for the *Risparmio Amministrato* regime being made promptly in writing by the relevant Noteholder. The financial intermediary, on the basis of the information provided by the taxpayer, accounts for the "*imposta sostitutiva*" in respect of capital gains realised on each sale or redemption of Notes (as well as in respect of capital gains realised at the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from proceeds to be credited to the Noteholder. Under the *Risparmio Amministrato* regime, where a sale or redemption of Notes results in capital loss, such loss may be deducted from capital gains subsequently realised in the same tax year or in the following tax years up to the fourth year. Under the *Risparmio Amministrato* regime, the Noteholder is not required to declare capital gains in its annual tax declaration and remains anonymous.

Any capital gains realised by Italian resident individuals holding Notes not in connection with entrepreneurial activity who have elected for the Asset Management Option will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to the Asset Management Tax to be applied on behalf of the taxpayer by the managing authorised intermediary. Under the Asset Management Option, any depreciation of the managed assets accrued at year end may be carried forward against any increase in value of the managed assets accrued in any of the four succeeding tax years. Under the Asset Management Option, the Noteholder is not required to report capital gains realised in its annual tax declaration and remains anonymous.

Any capital gains realised by Noteholders who are Italian resident collective investment funds and SICAVs will be included in the computation of the taxable basis of the Collective Investment Fund Tax.

Any capital gains realised by Noteholders who are Italian resident pension funds will be included in the computation of the taxable basis of Pension Fund Tax.

The tax regime of capital gains in respect of the Notes realized by real estate funds depends on the funds status and the applicable legislation. Capital gains realised by Italian real estate funds set up after 26 September 2001 on the disposal of the Notes are not subject to any withholding or substitute tax.

The 12.5% final *imposta sostitutiva* may in certain circumstances be payable on capital gains realised upon sale for consideration or redemption of Notes by non-Italian resident persons or entities without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However, pursuant to Article 23 of Legislative Decree of 12 December 2003, No. 344, any capital gains realised, by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected, through the sale for consideration or redemption of Notes are exempt from taxation in Italy to the extent that the Notes are listed on a regulated market in Italy or abroad (including the Luxembourg Stock Exchange) and in certain cases subject to filing of required documentation, even if the Notes are held in Italy and regardless of the provisions set forth by any applicable double taxation treaty.

In case the Notes are not listed on a regulated market in Italy or abroad:

(1) as to capital gains realised by non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected are exempt from the "*imposta sostitutiva*" in the Republic of Italy on any capital gains realised upon sale for consideration or redemption of the Notes if they are resident, for tax purposes, in a country which recognises the Italian tax authorities right to an adequate exchange of information. If non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected fall under the *Risparmio Amministrato* regime or the Asset Management Option, exemption from Italian capital gains tax will apply on the condition that they file an appropriate self-declaration within the relevant time limit with the authorised financial intermediary stating that they are resident in a country which allows an adequate exchange of information; and

(2) in any event, non-Italian resident persons or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty with the Republic of Italy, providing that capital gains realised upon the sale or redemption of the Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to the "*imposta sostitutiva*" in the Republic of Italy on any capital gains realised upon sale for consideration or redemption of Notes; in this case, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected fall under the *Risparmio Amministrato* regime or the Asset Management Option, exemption from Italian capital gains tax will apply on the condition that they file the appropriate documents within the relevant time limit with the authorised financial intermediary which include, inter alia, a statement from the competent tax authorities of the country of residence of the non-Italian residents.

Inheritance and gift taxes

Italy no longer applies inheritance and gift taxes.

However, according to Law 18 October 2001 No. 383, for donees other from spouses, direct descendants or ancestors and other fourth degree relatives, if and to the extent that the value of gift attributable to each such donee exceeds Euro 180,759.91, the gift of Notes is subject to ordinary transfer taxes provided for the transfer thereof for consideration.

Article 16 of Law. No. 383 of 18 October 2001, provides certain anti-avoidance provisions in case of abusive transactions, the application of which may deny the benefits of the exemption on inheritance and gift tax as described above.

Transfer tax

General

Pursuant to Italian Legislative Decree No. 435 of 21 November 1997, which amended the regime laid down by Royal Decree No. 3278 of 30 December 1923, the transfer of the Notes may be subject to Italian transfer tax (*tassa sui contratti di borsa*) in the following cases and at the following rates:

(i) contracts entered into directly between private parties or between the parties through entities other than authorised intermediaries (banks, SIMs or other professional intermediaries authorised to perform investment services, pursuant to the Legislative Decree No. 415 of 23 July 1996, as superseded by Legislative Decree No. 58 of 24 February 1998, or stockbrokers) are subject to a transfer tax of Euro 0.0082 for every Euro 51.65 (or a fraction thereof) of the price at which the Notes are transferred;

(ii) contracts between private parties through banks, SIMs or other authorised professional intermediaries or stockbrokers, or between private parties and banks, SIMs or other authorised intermediaries or stockbrokers, are subject to a transfer tax of Euro 0.00464 for every Euro 51.65 (or a fraction thereof) of the price at which the Notes are transferred; and

(iii) contracts between banks, SIMs or other authorised professional intermediaries or stockbrokers are subject to a transfer tax of Euro 0.00464 for every Euro 51.65 (or a fraction thereof) of the price at which the Notes are transferred.

In the cases listed above under (ii) and (iii), however, the amount of transfer tax cannot exceed Euro 929.62 for each transaction.

Exemptions

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

(i) contracts relating to listed securities entered into on regulated markets (e.g. the Luxembourg Stock Exchange);

(ii) contracts relating to securities which are admitted to listing on regulated markets and finalised outside such markets and entered into:

  a. between banks or SIMs or other professional intermediaries authorised to perform investment services, pursuant to the Legislative Decree No. 415 of 23 July 1996, as superseded by Legislative Decree No. 58 of 24 February 1998, or stockbrokers among themselves; or

  b. between authorised intermediaries as referred to in paragraph (a) above and non-Italian residents; or

  c. between authorised intermediaries as referred to in paragraph (a) above, also non-Italian residents, and undertakings for collective investment in transferable securities;

(iii) contracts relating to public sale offers for the admission to listing on regulated markets or relating to financial instruments already admitted to listing on such markets;

(iv) contracts for a consideration of less than Euro 206.58; and

(v) contracts regarding securities which are not listed on a regulated market entered into between authorised intermediaries as referred to in (ii) (a) above, on the one hand, and non-Italian residents, on the other hand.

European withholding tax directive

On 3 June 2003, the European Union Council of Economic and Finance Ministers (the "**Council**") adopted a new directive regarding the taxation of savings income (the "**Directive**").

The Council agreed that the Directive should be implemented into national laws of the member states of the European Union (each a "**Member State**" and together, "**Member States**") from 1 January 2004 and be applied from 1 January 2005. The Council also approved a draft agreement with Switzerland concerning the taxation of savings income. The Council agreed that the agreement with Switzerland should also constitute the basis for agreements between the European Union and Liechtenstein, Andorra, Monaco and San Marino.

On 31 October 2003 the Italian Parliament passed Law No 306, which authorized the Italian Government to implement the Directive in Italy within 18 months (i.e. 30 May 2005).

Under the Directive, each Member State will ultimately be expected to provide information to other Member States on interest paid from that Member State to individual savers resident in those other Member States. But for a transitional period, Belgium, Luxembourg and Austria will be allowed to apply a withholding instead of providing information, at a rate of 15% the first three years (2005-2007), 20% for the subsequent three years (2008-2010) and 35% from 2011 onwards. These three Member States will implement automatic exchange of information:

- if and when the EC enters into an agreement by unanimity in the Council with Switzerland, Liechtenstein, San Marino, Monaco and Andorra in exchange of information upon request as defined in the OECD Agreement on Exchange of Information on Tax Matters (as developed by the OECD global forum working group on effective exchange of information in 2002) in relation to interest payments, and to continue to apply simultaneously the withholding tax; and
- if and when the Council agrees by unanimity that the United Sates is committed to exchange information upon request as defined in the 2002 OECD Agreement in relation to interest payments.

The Directive has a broad scope, covering interest from debt-claims of every kind, including cash deposits and corporate and government bonds and other similar negotiable debt securities. The definition of interest extends to cases of accrued and capitalised interest. This includes, for example, interest that is calculated to have accrued by the date of sale or redemption of a bond of a type where normally interest is only paid on maturity together with the principal (a so-called "zero-coupon bond"). The definition also includes interest income obtained as a result of indirect investment via collective investment undertakings (i.e. investment funds managed by specialist fund managers who placed the investments made by individuals in a diverse range of Assets according to defined risk criteria).

The European Commission, further to a mandate received from the Council on 16 October 2001, is conducting negotiations with key non-EU countries (Switzerland, Liechtenstein, Monaco, Andorra, San Marino) to ensure the adoption of equivalent measures in those countries in order to allow effective taxation of savings income paid to EU residents.

EU Savings Directive

On 3rd June, 2003, the European Council of Economics and Finance Ministers adopted a Directive on the taxation of savings income under which Member States will be required, from a date not earlier than 1st January, 2005, to provide to the tax authorities of another Member States details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State, except that, for a transitional period, Belgium, Luxembourg and Austria will instead be required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

Subscription and Sale

Pursuant to a subscription agreement entered into on or about the Issue Date between CDC IXIS Capital Markets, UBS Limited and WestLB AG, London Branch (together the "**Joint Lead Managers**"), the Issuer, CARIGE (as Originator under the Transfer Agreement) and the Representative of the Noteholders (the "**Subscription Agreement**"), the Joint Lead Managers have agreed to subscribe and pay the Issuer for the Class A Notes, the Class B Notes and the Class C Notes, in each case, at the issue price of 100 per cent. of their respective principal amounts. The Issuer will pay to the Joint Lead Managers a combined management and underwriting fee and selling concession agreed among the Joint Lead Managers and CARIGE.

The Subscription Agreement is subject to a number of conditions and may be terminated by the Joint Lead Managers in certain circumstances prior to payment for the Class A Notes, the Class B Notes and the Class C Notes to the Issuer. The Issuer and the Originator have agreed to indemnify the Joint Lead Managers against certain liabilities in connection with the issue of the Notes.

United States

The Notes have not been and will not be registered under the Securities Act. The Notes may not be offered, sold or delivered within the United States, or to, or for the account or benefit of, US persons, except in certain transactions exempt from the registration requirements of the Securities Act and applicable state securities laws. The Notes are subject to US tax law requirements.

The Issuer and the Originator will represent, warrant and undertake to the Joint Lead Managers that neither the Issuer nor the Originator nor any of their respective affiliates (including any person acting on behalf of the Issuer and the Originator or any of their affiliates) has offered or sold, or will offer or sell, any Notes in any circumstances which would require the registration of any of the Notes under the Securities Act and, in particular, that:

(i) neither the Issuer nor the Originator nor any of their respective affiliates nor any person acting on their behalf has engaged or will engage in any "directed selling efforts" with respect to the Notes; and

(ii) the Issuer reasonably believes that there is no "substantial US market interest" in its debt securities.

Each Joint Lead Manager will represent, warrant and undertake that it will not offer or sell any Notes within the United States except in accordance with Rule 903 of Regulation S under the Securities Act and, accordingly, that none of the Joint Lead Managers nor any persons acting on behalf of any of the Joint Lead Managers or any of their respective affiliates has engaged or will engage in any "directed selling efforts" with respect to the Notes and it and its affiliates and any person acting on its or their behalf has complied and will comply with the offering restrictions of Regulation S.

Terms used in the paragraphs above have the meanings given to them by Regulation S under the Securities Act.

Republic of Italy

Each Joint Lead Manager under the Subscription Agreement has acknowledged that no action has or will be taken by it which would allow an offering (or a "*sollecitazione all'investimento*") of the Notes of the relevant class or classes to the public in the Republic of Italy unless in compliance with the relevant Italian securities, tax and other applicable laws and regulations. Individual sales of the Notes to any persons in the Republic of Italy may only be made in accordance with Italian securities, tax and other applicable laws and regulations.

Each Joint Lead Manager has under the Subscription Agreement acknowledged that no application has been made by it to obtain an authorisation from CONSOB for the public offering of the Notes of the relevant class in the Republic of Italy.

Accordingly, each Joint Lead Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, and has not distributed and will not distribute and has not made and will not make available in the Republic of Italy Notes of the relevant class or classes, this Offering Circular nor any other offering material relating to Notes of such class or classes other than to professional investors ("*operatori qualificati*") as defined in Article 31, paragraph 2, of CONSOB Regulation No. 11522 of 1 July 1998, as subsequently amended and supplemented, pursuant to art. 100, paragraph 1, letter b) and art. 30, paragraph 2, of Italian Legislative Decree No. 58 of 24 February 1998 (the "**Financial Laws Consolidation Act**") and in accordance with applicable Italian laws and regulations.

Any offer of the Notes of the relevant class or classes to professional investors in the Republic of Italy shall be made only by banks, investment firms or financial companies enrolled in the special register provided for in Article 107 of the Consolidated Banking Act, to the extent that they are duly authorised to engage in the

placement and/or underwriting of financial instruments in the Republic of Italy in accordance with the relevant provisions of the Financial Laws Consolidation Act and in compliance with Article 129 of the Consolidated Banking Act.

United Kingdom

Each Joint Lead Manager under the Subscription Agreement has represented and agreed with the Issuer that:

(i) **No offer to public:** it has not offered or sold and, prior to the expiry of a period of six months from the issue date of the Notes, will not offer or sell any such Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing or investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

(ii) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of such Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(iii) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

France

Each of the Joint Lead Managers and the Issuer has acknowledged that the Notes are being issued outside the Republic of France and has represented and agreed that (i) it has not offered or sold and will not offer or sell, directly or indirectly, the Notes to the public in the Republic of France and (ii) offers and sales of the Notes will be made in the Republic of France only to qualified investors as defined and in accordance with Articles L.411-1 and L.411-2 of the French Code monétaire et financier and Decree No. 98-880 dated 1 October 1998.

In addition, each of the Joint Lead Managers and the Issuer has represented and agreed that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of France, the Offering Circular or any other offering material relating to the Notes other than to those investors (if any) to whom offers and sales of the Notes may be made as described above.

The Netherlands

Each Joint Lead Manager under the Subscription Agreement has represented and agreed with the Issuer that:

(a) it has not offered, sold, delivered or transferred, and will not offer, sell, deliver or transfer, any of the Notes, as part of their initial distribution or at any time thereafter, directly or indirectly, in the Netherlands other than to Professional Market Parties (as defined below) that trade or invest in securities in the conduct of their profession or business; and

(b) it will have sent to each person in the Netherlands to which it sells the Notes a confirmation or other notice setting forth the above restrictions and stating that by purchasing any Note, the purchaser represents and agrees that it will send to any other person to whom it sells any such Note a notice containing substantially the same statement as is contained in this sentence.

For the purpose of the above paragraph:

"Professional Market Parties" are any of the following persons but no other person:

(i) banks, insurance companies, securities firms, investment institutions and pension funds that are (i) supervised or licensed under Dutch law or (ii) established and acting under supervision in a European Union member state (other than the Netherlands), Hungary, Monaco, Poland, Puerto Rico, Saudi Arabia, Slovakia, Czech Republic, Turkey, South Korea, the United States of America, Japan, Australia, Canada, Mexico, New Zealand or Switzerland;

(ii) investment institutions which offer their participation rights exclusively to professional market parties and are not required to be supervised or licensed under Dutch law;

(iii) the State of the Netherlands, the Dutch Central Bank (*De Nederlandsche Bank N.V.)*, a foreign central government body, a foreign central bank, Dutch regional and local governments and comparable foreign decentralised government bodies, international treaty organisations and supranational organisations;

(iv) enterprises or entities with total assets of at least Euro 500,000,000 (or the equivalent thereof in another currency) as per the balance sheet as of the year end preceding the obtaining of the repayable funds;

(v) enterprises, entities or individuals with net assets of at least Euro 10,000,000 (or the equivalent thereof in another currency) as of the year end preceding the obtaining of the repayable funds who or which have been active in the financial markets on average twice a month over a period of at least two consecutive years preceding the obtaining of the repayable funds;

(vi) subsidiaries of the entities referred to under a above provided such subsidiaries are subject to supervision; and

(vii) an enterprise or institution that has a rating from a rating agency that in the opinion of the Dutch Central Bank is an expert or that issues securities that have a rating from a rating agency that in the opinion of the Dutch Central Bank is an expert.

Singapore

The Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (the "**MAS**") under the Securities and Futures Act (Chapter 289 of Singapore) (the "**Securities and Futures Act**").

Accordingly, the Notes may not be offered or sold or made the subject of an invitation for subscription or purchase, nor may the Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes be circulated or distributed, whether directly or indirectly, to the public or any member of the public in Singapore other than: (1) to an institutional investor or other person falling within Section 274 of the Securities and Futures Act; (2) to a sophisticated investor (as defined in Section 275 of the Securities and Futures Act) and in accordance with the conditions specified in Section 275 of the Securities and Futures Act; or (3) otherwise than pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

China

Neither the Offering Circular nor the Preliminary Offering Circular constitute a public offer of the Notes, whether by way of sale or subscription, in the Peoples Republic of China ("**PRC**"). The Notes are not being offered and may not be offered or sold directly or indirectly in the PRC to, or for the benefit of, legal or natural persons of the PRC. According to the laws and regulatory requirements of the PRC, the Notes may only be offered or sold to natural or legal persons in Taiwan, Hong Kong or Macau or any country other than the PRC, whether by means of the Offering Circular, the Preliminary Offering Circular or otherwise.

General Restrictions

Each Joint Lead Manager has agreed to comply with all applicable laws and regulations in each jurisdiction in or which it may offer or sell Notes. Furthermore, each Joint Lead Manager has agreed that it will not, directly or indirectly, offer, sell or deliver any Notes or distribute or publish any prospectus, form of application, offering circular (including the Offering Circular), advertisement or other offering material in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Unless otherwise herein provided, no action will be taken to obtain permission for public offering of the Notes in any country where action would be required for such purpose.

General Information

(1) The Notes have been accepted for clearance through Monte Titoli by Euroclear and Clearstream, Luxembourg. Monte Titoli will act as depository for Euroclear and Clearstream, Luxembourg. The ISIN and the Common Codes for the Notes are as follows:

	Class A Notes	**Class B Notes**	**Class C Notes**
Common Code	019730379	019730395	019730336
ISIN	IT003694129	IT003694137	IT00369415

(2) Application has been made to list the Notes on the Luxembourg Stock Exchange. In connection with the listing application, the constitutional documents of the Issuer and a legal notice relating to the issue of the Notes will be deposited prior to listing with the *Registre de Commerce et de Sociétés à Luxembourg*, where they will be available for inspection and where copies thereof may be obtained upon request.

(3) The Issuer has obtained all necessary consents, approvals and authorisations in Italy in connection with the issue and performance of the Notes. The issue of the Notes was authorised by a resolution of the quotaholders' meeting of the Issuer passed on 9 June 2004.

(4) The Issuer estimates that its aggregate ongoing fees in connection with the Securitisation (excluding any fees payable to the Servicer) will be equal to approximately Euro 80,000 (exclusive of any value added tax) per annum.

(5) As long as the Notes are listed on the Luxembourg Stock Exchange, copies of the following documents may be inspected during normal business hours at the registered office of the Luxembourg Agent in Luxembourg:

(a) the by laws (*statuto*) and deed of incorporation (*atto costitutivo*) of the Issuer;

(b) Transfer Agreement;

(c) Servicing Agreement;

(d) Corporate Services Agreement;

(e) Intercreditor Agreement;

(f) Cash Allocation, Management and Agency Agreement;

(g) Italian Deed of Pledge;

(h) English Deed of Charge,

(i) Mandate Agreement;

(j) Subordinated Loan Agreement;

(k) Subscription Agreement;

(l) Monte Titoli Mandate Agreement;

(m) Swap Agreement; and

(n) Quotaholders' Agreement.

(6) The Issuer's non-consolidated financial statements relating to the period ending on 31 December 2004 will, upon publication, be available for collection at the registered office of the Luxembourg Agent. The Issuer prepares annual non-consolidated financial statements for financial years ending on 31 December of each year. No interim or consolidated financial statements will be produced by the Issuer. So long as any of the Notes remains listed on the Luxembourg Stock Exchange, copies of the Issuer's annual non-consolidated financial statements shall, upon publication, be made available free of charge at the registered office of the Luxembourg Agent.

(7) So long as any of the Notes remains listed on the Luxembourg Stock Exchange, the Servicer's Quarterly Reports and Audit Reports produced pursuant to the Servicing Agreement will be available at the registered office of the Luxembourg Agent where copies thereof may be obtained free of charge upon request. The first Servicer's Quarterly Report will be available after 10 October 2004.

(8) The Issuer is not involved in any litigation, arbitration or administrative proceedings relating to claims or amounts which are material in the context of the issue of the Notes and no such litigation, arbitration or administrative proceedings are pending or threatened.

(9) Save as disclosed in this document, there has been no material adverse change, or any development reasonably likely to involve a material adverse change, in the condition (financial or otherwise) or general affairs of the Issuer since the date of its incorporation that is material in the context of the issue of the Notes.

Glossary of Terms

These and other terms used in this document are subject to, and in some cases are summaries of, the definitions of such terms set out in the Transaction Documents, as they may be amended from time to time. Certain terms derive from Transaction Documents which have been executed in the Italian language. To the extent that these terms have been translated into the English language, in the event of any discrepancy between the definitions of such terms as set out in the Italian language Transaction Documents and as set out in the "Glossary of Terms" below, the definitions contained in such Italian language Transaction Documents shall prevail.

"**Account Bank**" means CARIGE.

"**Account Banks**" means the Account Bank and the Payment Account Bank.

"**Account Bank Quarterly Report**" means the report to be made by the Account Bank on each Quarterly Report Date pursuant to the Cash Allocation, Management and Agency Agreement in relation to the Accounts held with it.

"**Accounts**" means the AM2 Collection Account, the AM2 Investment Account, the AM2 Principal Accumulation Account, the AM2 Quota Capital Account, the AM2 Cash Collateral Account, the AM2 Payment Account, the AM2 Expenses Account and the AM2 Securities Accounts.

"**Advance Indemnity**" means each amount advanced by the Originator to the Issuer pursuant to Clause 7.5 of the Transfer Agreement.

"**AM2 Cash Collateral Account**" means a Euro-denominated account opened in the name of the Issuer with the Account Bank and to be operated pursuant to the provisions of the Cash Allocation, Management and Agency Agreement.

"**AM2 Cash Collateral Securities Account**" means the securities account opened in the name of the Issuer with the Account Bank to which all securities constituting Eligible Investments deriving from funds standing to the credit of the AM2 Cash Collateral Account will be deposited.

"**AM2 Collection Account**" means a Euro-denominated account opened in the name of the Issuer with the Account Bank and to be operated pursuant to the provisions of the Cash Allocation, Management and Agency Agreement.

"**AM2 Expenses Account**" means a Euro-denominated account opened in the name of the Issuer with the Account Bank and to be operated pursuant to the provisions of the Cash Allocation, Management and Agency Agreement.

"**AM2 Investment Account**" means a Euro-denominated account opened in the name of the Issuer with the Account Bank and to be operated pursuant to the provisions of the Cash Allocation, Management and Agency Agreement.

"**AM2 Investment Securities Account**" means the securities account opened in the name of the Issuer with the Account Bank to which all securities constituting Eligible Investments deriving from funds standing to the credit of the AM2 Investment Account will be deposited.

"**AM2 Payment Account**" means a Euro-denominated account opened in the name of the Issuer with the Payment Account Bank and to be operated pursuant to the provisions of the Cash Allocation, Management and Agency Agreement.

"**AM2 Principal Accumulation Account**" means a Euro-denominated account opened in the name of the Issuer with the Account Bank and to be operated pursuant to the provisions of the Cash Allocation, Management and Agency Agreement.

"**AM2 Principal Accumulation Securities Account**" means the securities account opened in the name of the Issuer with the Account Bank to which all securities constituting Eligible Investments deriving from funds standing to the credit of the AM2 Principal Accumulation Account will be deposited.

"**AM2 Quota Capital Account**" means a Euro-denominated account opened in the name of the Issuer with the Account Bank and to be operated pursuant to the provisions of the Cash Allocation, Management and Agency Agreement.

"**AM2 Securities Accounts**" means the AM2 Investment Securities Account, the AM2 Principal Accumulation Securities Account and the AM2 Cash Collateral Securities Account, in each case opened in the name of the Issuer

with the Account Bank and to be operated pursuant to the provisions of the Cash Allocation, Management and Agency Agreement.

"**Arrangers**" means CDC IXIS Capital Markets, UBS Investment Bank and WestLB AG.

"**Audit Report**" means a report to be prepared by a firm of internationally recognised auditors acceptable to the Representative of the Noteholders appointed by the Servicer within 20 days following the last Quarterly Report Date of each calendar year in relation to the information and data contained in the last Servicer's Quarterly Report.

"**Available Redemption Amount**" means:

(A) prior to the delivery of an Enforcement Notice:

(a) in the case of the Class A Notes, the lesser of: (x) the Issuer Available Funds in respect of the relevant Payment Date less the aggregate of the payments described under items (i) to (xii) (inclusive) of Condition 5.1 (*Pre-Enforcement Order of Priority*); and (y) the Class A Amortisation Amount on such Payment Date;

(b) in the case of the Class B Notes, the lesser of: (x) the Issuer Available Funds in respect of the relevant Payment Date less the aggregate of the payments described under items (i) to (xiv) (inclusive) of Condition 5.1 (*Pre-Enforcement Order of Priority*); and (y) the Class B Amortisation Amount on such Payment Date;

(c) in the case of the Class C Notes, the lesser of: (x) the Issuer Available Funds in respect of the relevant Payment Date less the aggregate of the payments described under items (i) to (xvi) (inclusive) of Condition 5.1 (*Pre-Enforcement Order of Priority*); and (y) the Class C Amortisation Amount on such Payment Date, and

(B) following the delivery of an Enforcement Notice:

(a) in the case of the Class A Notes, the lesser of: (x) the Issuer Available Funds in respect of the relevant Payment Date less the aggregate of the payments described under items (i) to (viii) (inclusive) of Condition 5.2 (Post-Enforcement Order of Priority); and (y) the Principal Amount Outstanding of the Class A Notes on such Payment Date;

(b) in the case of the Class B Notes, the lesser of: (x) the Issuer Available Funds in respect of the relevant Payment Date less the aggregate of the payments described under items (i) to (x) (inclusive) of Condition 5.2 (Post-Enforcement Order of Priority); and (y) the Principal Amount Outstanding of the Class B Notes on such Payment Date;

(c) in the case of the Class C Notes, the lesser of: (x) the Issuer Available Funds in respect of the relevant Payment Date less the aggregate of the payments described under items (i) to (xii) (inclusive) of Condition 5.2 (Post-Enforcement Order of Priority); and (y) the Principal Amount Outstanding of the Class C Notes on such Payment Date.

"**Borrower**" means any person who is a borrower of a Mortgage Loan.

"**Business Day**" shall mean a day (other than a Saturday or Sunday) on which banks are generally open for business in London, Milan, Genoa and Luxembourg and on which the Trans-European Automated Real Time Gross-Settlement Express Transfer System (or any successor thereto) is open.

"**Calculation Agent**" means Deutsche Bank AG London, in its capacity as calculation agent pursuant to the Cash Allocation, Management and Agency Agreement, or its permitted successors or assigns from time to time.

"**Calculation Date**" means the 20th day of January, April, July and October (or, if any such day is not a Business Day, the immediately preceding Business Day).

"**CARIGE**" means Banca Carige S.p.A.

"**Cash Allocation, Management and Agency Agreement**" means the cash allocation, management and agency agreement entered into on or about the Issue Date between the Issuer, the Representative of the Noteholders, the Cash Manager, the Account Banks, the Paying Agents, the Luxembourg Agent and the Calculation Agent, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

"**Cash Collateral**" means the amount set aside and from time to time standing to the balance of the AM2 Cash Collateral Account.

"**Cash Manager**" means CARIGE, in its capacity as cash manager pursuant to the Cash Allocation, Management and Agency Agreement, or its permitted successors or assigns from time to time.

"**Cash Manager Quarterly Report**" means the report to be made by the Cash Manager on each Quarterly Report Date pursuant to the Cash Allocation, Management and Agency Agreement.

"**Class A Notes**" means the Euro 808,300,000 Class A Residential Mortgage Backed Floating Rate Notes due October 2043.

"**Class A Amortisation Amount**" means an amount equal to the lower of:

(a) the aggregate Principal Amount Outstanding of the Class A Notes as at the immediately preceding Collection Date; and

(b) the greater of:

  (i) nil; and

  (ii) the aggregate Principal Amount Outstanding of the Class A Notes, the Class B Notes and the Class C Notes, less the aggregate Outstanding Principal of the Collateral Portfolio, in each case, as at the immediately preceding Collection Date.

"**Class B Amortisation Amount**" means an amount equal to the lower of:

(a) the aggregate Principal Amount Outstanding of the Class B Notes as at the immediately preceding Collection Date; and

(b) the greater of:

  (i) nil; and

  (ii) the aggregate Principal Amount Outstanding of the Class B Notes and the Class C Notes, less the aggregate Outstanding Principal of the Collateral Portfolio, in each case, as at the immediately preceding Collection Date.

"**Class B Notes**" means the Euro 26,800,000 Class B Residential Mortgage Backed Floating Rate Notes due October 2043.

"**Class C Amortisation Amount**" means an amount equal to the lower of:

(a) the aggregate Principal Amount Outstanding of the Class C Notes as at the immediately preceding Collection Date; and

(b) the greater of:

  (i) nil; and

  (ii) the aggregate Principal Amount Outstanding of the Class C Notes, less the aggregate Outstanding Principal of the Collateral Portfolio, in each case, as at the immediately preceding Collection Date.

"**Class C Notes**" means the Euro 29,350,000 Class C Residential Mortgage Backed Floating Rate Notes due October 2043.

"**Clearstream**" means Clearstream Banking, S.A..

"**Closing Costs**" means the closing costs and expenses in connection with the issue of the Notes which shall be paid by the Issuer on the Issue Date, including, for the avoidance of doubt, the up front payment due from the Issuer to the Swap Counterparty pursuant to the Swap Agreement.

"**Collateral Portfolio**" means the Portfolio *less*: (i) any Mortgage Loans which are Defaulted Receivables and Non-performing Receivables, and (ii) any indemnity payments, Advance Indemnity and Limited Recourse Loan received by the Issuer from the Originator pursuant to Clauses 7 and 8 of the Transfer Agreement and any amount received by the Issuer further to renegotiation by the Servicer of the interest rate applicable under a Mortgage Loan Agreement or of the penalty payable upon prepayment of a Mortgage Loan or of the due dates of the Instalments, pursuant to Clauses 3.3, 3.4 and 3.5, respectively, of the Servicing Agreement; and (iii) any indemnity payments received by the Issuer from the Servicer pursuant to Clause 12.1 of the Servicing Agreement.

"**Collateral Security**" means any security interest (excluding a Mortgage) granted by a Debtor, Obligor or any other person or legal entity to secure the Receivables.

"**Collection Date**" means the first calendar day of January, April, July and October in each year, the first Collection Date being 1 July 2004.

"**Collection Period**" means each period commencing on (but excluding) a Collection Date and ending on (and including) the next succeeding Collection Date, and in the case of the first Collection Period, commencing on (and including) 1 July 2004 and ending on (and including) 30 September 2004, provided that following the delivery of an Enforcement Notice upon the occurrence of an Insolvency Event, references to the Collection Period shall be deemed to refer to the relevant period on the basis of which the Calculation Agent has, in the Payments Report, calculated the Issuer Available Funds.

"**Collection Policy**" means the procedures for the administration, collection and recovery of Receivables and the management of legal proceedings agreed between the Issuer and the Servicer pursuant to the Servicing Agreement.

"**Collections**" means all amounts under whatsoever title received by CARIGE in its capacity as Servicer in respect of the Receivables comprised in the Portfolio, including, without limitation, all amounts received by way of repayment of principal and payment of interest and expenses in connection with the Receivables or the realisation value of the Real Estate Assets following enforcement proceedings or any other compensation, including insurance compensation, inclusive of interest and expenses, in relation to the Receivables, as well as any other amount recovered further to out-of-court settlements including, without limitation, agreements to amend the instalments due dates and/or advance repayment.

"**Conditions**" means the Terms and Conditions of the Class A Notes, the Class B Notes and the Class C Notes.

"**CONSOB**" means the Commissione Nazionale per le Società e la Borsa.

"**Consolidated Banking Act**" means Italian Legislative Decree no. 385 of 1 September 1993 (*Testo Unico delle leggi in materia Bancaria e Creditizia*) as subsequently amended and implemented.

"**Corporate Services Agreement**" means the corporate services agreement entered into on 25 June 2004 between the Issuer and the Corporate Services Provider, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

"**Corporate Services Provider**" means CARIGE, in its capacity as corporate services provider pursuant to the Corporate Services Agreement, or its permitted successors or assigns from time to time.

"**Cumulative Default Ratio**" means, with reference to any Collection Date, the percentage equivalent to a fraction the numerator of which is equal to the cumulative Defaulted Amounts of all the preceding Collection Periods minus any amount recovered in respect of the Defaulted Receivables and the Non-performing Receivables to (and including) such Collection Date; and the denominator of which is equal to the Outstanding Principal (as of the Effective Date) of the Mortgage Loans comprised in the Portfolio.

"**Debtor**" (*Debitore*) means any individual person or any other party who has entered into a Mortgage Loan Agreement and/or has payment obligations in respect of a Receivable comprised in the Portfolio.

"**Decree 239 Deduction**" means any withholding or deduction for or on account of "*imposta sostitutiva*" under Legislative Decree No. 239 of 1 April 1996, as amended by Italian Law No. 409 and No. 410 of 23 November 2001 and as subsequently amended and supplemented.

"**Defaulted Amount**" means, with reference to each Collection Period, the aggregate outstanding (including any due but unpaid) Principal Instalments of: (i) the Mortgage Loans that became Defaulted Receivables ; and (ii) the Mortgage Loans (other than Mortgage Loans under point (i) above) that became Non-performing Receivables, during such Collection Period.

"**Defaulted Receivable**" (*Crediti Insoluti*) means any Receivable which, as at the end of a Collection Period, had 7 or more monthly Delinquent Instalments or 3 or more six-monthly Delinquent Instalments and which has not been classified as non-performing (*in sofferenza*) in accordance with the relevant provisions of the Bank of Italy.

"**Deferred Purchase Price**" means in relation to any Payment Date an amount (if positive) equal to:

(a) all interest accrued in respect of the Portfolio during the Collection Period immediately preceding such Payment Date (except for the Excluded Collections); *plus*

(b) any other amount (other than Principal Instalments) deriving from the Mortgage Loan Agreements (including, but not limited to, penalties for prepayment, if any) received during the Collection Period immediately preceding such Payment Date; *plus*

(c) default interest (if any) accrued on the Portfolio during the Collection Period immediately preceding such Payment Date; *plus*

(d) any interest accrued on the Accounts in the Collection Period immediately preceding such Payment Date; *plus*

(e) any profit (including capital gain, if any) generated by or interest accrued on the Eligible Investments deriving from the investment of funds standing to the credit of the AM2 Investment Account, the AM2 Principal Accumulation Account and the AM2 Cash Collateral Account in the Collection Period immediately preceding such Payment Date; *plus*

(f) all amounts (other than Principal Instalments) received by the Issuer from the Originator pursuant to the Transfer Agreement during the Collection Period immediately preceding such Payment Date; *plus*

(g) all amounts paid to the Issuer on the Swap Payment Date immediately preceding such Payment Date under the terms of the Swap Agreement; *plus*

(h) all capital gains made from the sale, during the Collection Period immediately preceding such Payment Date, of all or part of the Portfolio; *plus*

(i) any other amount not deriving from the Receivables and which are not included in the foregoing items (a), (b), (c), (d), (e), (f), (g) and (h) received by the Issuer during the Collection Period immediately preceding such Payment Date; *less*

(j) all costs, expenses, taxes and other charges which become payable by or accrued to the Issuer under items (i) to (vii) (inclusive) of the Pre-Enforcement Order of Priority or, as the case may be, items (i), (ii), (iii), (iv), (v), (vi) and (xv) of the Post Enforcement Order of Priority; *less*

(k) the Interest Amounts on the Notes in respect of the Interest Period ending on (but excluding) such Payment Date; *less*

(l) all amounts payable to the Swap Counterparty on such Payment Date; *less*

(m) all amounts to be paid by the Issuer to the Originator pursuant to the Transfer Agreement during the Collection Period immediately preceding such Payment Date; *less*

(n) the capital loss (if any) made from the Eligible Investments deriving from the investment of funds standing to the credit of the AM2 Investment Account, the AM2 Principal Accumulation Account and the AM2 Cash Collateral Account during the Collection Period immediately preceding such Payment Date; *less*

(o) any loss incurred, or expected to be incurred, in respect of the Receivables during the Collection Period immediately preceding such Payment Date.

"**Delinquent Instalment**" (*Rata Insoluta*) means any Instalment that remains unpaid for 25 days or more after its scheduled payment date.

"**Delinquent Receivable**" (*Credito in Ritardo*) means any Receivable, other than a Defaulted Receivable or a Non-performing Receivable, in respect of a Mortgage Loan Agreement in relation to which there was at least one Delinquent Instalment as at the end of a Collection Period.

"**Effective Date**" means the date from which the economic effects of the Transfer Agreement shall occur, being 30 June 2004 (hour 23.59).

"**Eligible Institution**" means a depository institution organised under the laws of any state which is a member of the European Union or of the United States, the short-term unsecured and unsubordinated debt obligations of which are rated at least: (i) P-1 by Moody's and F1 by Fitch; or (ii) if a rating is not available from Moody's, F1 by Fitch and A-1 by S&P, *provided that* Deutsche Bank S.p.A. in its capacity as Payment Account Bank shall be deemed to be an Eligible Institution if: (a) the rating of Deutsche Bank AG's unsecured, unsubordinated and unguaranteed debt obligation is equal to or above "F1" by Fitch and "P-1" by Moody's in respect of its short-term debt and "A1" by Moody's in respect of its long-term debt; (b) Deutsche Bank S.p.A. if included in the declaration of backing of the last available financial statements of Deutsche Bank AG; and (c) Deutsche Bank AG holds at least a 90% interest in Deutsche Bank S.p.A..

"**Eligible Investments**" means any senior, unsubordinated debt security, investment, commercial paper or other debt instrument issued by, or fully and unconditionally guaranteed by, an institution having at least the applicable rating by Fitch and Moody's for the maturity of such investment set forth below:

Maturity	**Moody's**	**Fitch**
More than 12 months	Aaa	AAA
12 months or less	Aaa	F1+
Less than 6 months	Aa3 and P-1	F1+
Less than 3 months	A1 and P-1	F1+
Less than 1 month	A2 or P-1	F1

or, if a rating of such investment is not available from Fitch, by Moody's and S&P for the maturity of such investment set forth below:

Maturity	Moody's	S&P
Less than 3 months	A1 and P-1	A-1
Less than 1 month	A2 or P-1	A-1

or, if a rating of such investment is not available from Moody's, by Fitch and S&P for the maturity of such investment set forth below

Maturity	Fitch	S&P
Less than 3 months	F1+	A-1
Less than 1 month	F1	A-1

or any deposit placed with a banking institution in Italy which qualifies as an Eligible Institution, *provided always that* any such investment, paper, deposit or instrument (a) has, in the case of Eligible Investments other than those deriving from the investment of funds standing to the credit of the AM2 Principal Accumulation Account, a maturity date falling not beyond the immediately succeeding Collection Date and, in the case of any Eligible Investments deriving from funds standing to the credit of the AM2 Principal Accumulation Account, a maturity date falling not beyond the Collection Date immediately preceding the Payment Date falling in January 2006 and may be disposed at any time without penalty; (b) is not subject to any Decree 239 Deduction or withholding pursuant to Article 26.3 *bis* of Presidential Decree 600/1973, in each case, as subsequently amended or supplemented; (c) does not provide for any costs and/or deductions affecting principal repayments in respect thereof; and *provided further that* the purchase price of such Eligible Investment must not be above its nominal value.

"**EMU**" means the European Economic and Monetary Union pursuant to the Treaty establishing the European Communities.

"**Enforcement Event**" means any of the events described in Condition 11.1.

"**Enforcement Notice**" means the notice which may be delivered following the occurrence of an Enforcement Event, as described in Condition 11.

"**English Deed of Charge**" means the deed of charge governed by English law executed on or about the Issue Date pursuant to which the Issuer shall assign and charge all of the Issuer's rights, title, interest and benefit (present and future) in, to and under the Swap Agreement and the Subscription Agreement in favour of the Security Trustee for itself and on trust for the Issuer Secured Creditors, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

"**Euroclear**" means Euroclear Bank S.A./N.V., as operator of the Euroclear system.

"**Euro-zone**" means the region comprised of member states of the European Union that adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957) as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992) as subsequently amended and supplemented.

"**Excluded Collections**" means, in connection with each Receivable in respect of which the Originator has granted an Advance Indemnity or a Limited Recourse Loan pursuant to, respectively, Clause 7.5 and Clause 8 of the Transfer Agreement, amounts recovered in respect thereof up to an amount equivalent to the corresponding Advance Indemnity plus interest thereon (only to the extent of the collections deriving from the Receivables in respect of which the Advance Indemnity was granted) or, as the case may be, Limited Recourse Loan, which will be calculated and notified by the Servicer to the Issuer and the Account Bank in accordance with the provisions of the Servicing Agreement.

"**Final Maturity Date**" means the Payment Date falling in October 2043.

"**First Payment Date**" means the Payment Date falling in October 2004.

"**First Principal Repayment Date**" means the Payment Date falling in January 2006 or, if earlier, the Payment Date immediately succeeding (a) the delivery of an Enforcement Notice upon the occurrence of an Insolvency Event or (b) early redemption of the Notes of all Classes under Condition 7.4 (*Redemption for taxation*).

"**Fitch**" means Fitch Ratings Limited.

"**Guarantees**" means the Mortgages and the Collateral Security.

"**Individual Purchase Price**" means the individual purchase price of each Receivable, being the outstanding principal of each Mortgage Loan as of the Effective Date.

"**Initial Cash Collateral Amount**" means an amount of Euro 16,425,000 to be paid into the AM2 Cash Collateral Account on the Issue Date.

"**Initial Disbursement Amount**" means an amount of Euro 80.000 to be paid into the AM2 Expenses Account on the Issue Date.

"**Initial Interest Period**" means the period from and including the Issue Date to but excluding the First Payment Date.

"**Initial Period**" means the period of eighteen months after the Issue Date.

"**Initial Principal Amount**" means the principal amount of the Notes of the relevant Class on the Issue Date.

"**Initial Purchase Price**" means Euro 864,518,384.35, being the sum of the Individual Purchase Price of all Receivables comprised in the Portfolio.

"**Insolvency Event**" means each of the events described under Condition 11.1(c).

"**Instalment**" means, in relation to any Mortgage Loan, the periodic payments (of principal or interest or a combination) due under the relevant Mortgage Loan Agreement.

"**Insurance Policies**" means (i) any policies of insurance taken out in connection with or as a condition to the making of a Mortgage Loan, including without limitation, policies which secure against the risk of fire to the Real Estate Asset, and (ii) the Umbrella Policy.

"**Interest Amount**" means, in respect of any Notes and any Interest Period, the Euro amount of interest, determined by the Calculation Agent for such Notes in respect of such Interest Period pursuant to Condition 6.3 (*Determination of Rates of Interest and Calculation of Interest Amount*) of the Terms and Conditions of the Notes.

"**Interest Amount Arrears**" means any Interest Amount which is unpaid on its due date and remains unpaid in respect of the Class A Notes (the "**Class A Interest Amount Arrears**"), the Class B Notes (the "**Class B Interest Amount Arrears**") and/or the Class C Notes (the "**Class C Interest Amount Arrears**") .

"**Interest Determination Date**" means the second Business Day before each Payment Date. In relation to the Initial Interest Period, the Interest Determination Date is the second Business Day before the Issue Date.

"**Interest on the Initial Purchase Price**" means the amount of interest accrued on the Initial Purchase Price from the Effective Date to the date of payment at three month Euribor pursuant to Clause 3.3 of the Transfer Agreement.

"**Interest Period**" means each period from and including a Payment Date to but excluding the next succeeding Payment Date.

"**Intercreditor Agreement**" means an agreement entered into on or about the Issue Date between the Issuer, the Noteholders and the Other Issuer Creditors, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

"**Issue Date**" means 23 July 2004.

"**Issue Price**" means the price equal to:

– in the case of the Class A Notes, 100% of the Class A Notes Initial Principal Amount;

– in the case of the Class B Notes, 100% of the Class B Notes Initial Principal Amount; and

– in the case of the Class C Notes, 100% of the Class C Notes Initial Principal Amount.

"**Issuer**" means Argo Mortgage 2 S.r.l.

"**Issuer Available Funds**" means, in relation to a Payment Date:

(a) all the sums received or recovered by the Issuer from or in respect of the Receivables during the Collection Period immediately preceding such Payment Date, except for the Excluded Collections;

(b) all amounts paid to the Issuer on the Swap Payment Date immediately preceding such Payment Date under the terms of the Swap Agreement, provided that (i) any amount provided by or on behalf of the Swap Counterparty as collateral; and (ii) the cash benefit of any Tax Credit (such term as defined in the Swap Agreement) due to the Swap Counterparty, shall not form part of the Issuer Available Funds;

(c) all amounts received by the Issuer pursuant to the Transfer Agreement during the Collection Period immediately preceding such Payment Date;

(d) any profit generated by or interest accrued and paid on the Eligible Investments in the Collection Period immediately preceding such Payment Date;

(e) any amount standing to the credit of the AM2 Cash Collateral Account on the Collection Date immediately preceding such Payment Date;

(f) any interest accrued on and credited to the AM2 Expenses Account, the AM2 Collection Account, the AM2 Investment Account, the AM2 Principal Accumulation Account and the AM2 Cash Collateral Account, in each case, in the Collection Period immediately preceding such Payment Date;

(g) any other amount, not included in the foregoing items (a), (b), (c), (d), (e) or (f), received by the Issuer and deposited in the AM2 Collection Account and/or the AM2 Investment Account during the Collection Period immediately preceding such Payment Date; and

(h) all amounts received from the sale of all or part of the Portfolio should such sale occur and proceeds (if any) from the enforcement of the Issuer's Rights,

provided that:

(i) subject to (ii) below, amounts set aside to the AM2 Principal Accumulation Account on Payment Date(s) prior to (but excluding) the First Principal Repayment Date (except for the amounts set aside to the AM2 Principal Accumulation Account on the Payment Date immediately preceding the First Principal Repayment Date) will not, form part of the Issuer Available Funds on the Payment Date(s) immediately succeeding each such Payment Date(s). On the First Principal Repayment Date, the amount standing to the balance of the AM2 Principal Accumulation Account will form part of the Issuer Available Funds on such date; and

(ii) if the Issuer Available Funds on any Payment Date prior to (but excluding) the Payment Date falling in January 2006, so calculated, are insufficient to satisfy the Issuer's payment obligations under items (i) to (xi) (inclusive) of the Pre- Enforcement Order of Priority or, as the case may be, items (i) to (viii)] (inclusive) of the Post-Enforcement Order of Priority, the Issuer Available Funds shall, on such Payment Date, also include an amount not exceeding the balance of the AM2 Principal Accumulation Account on the immediately preceding Collection Date in order to enable the Issuer to satisfy the aforementioned payment obligations.

"**Issuer Disbursement Amount**" means

(a) on each Payment Date, the difference between (x) Euro 80,000; and (y) the amount standing to the credit of the AM2 Expenses Account on the immediately preceding Collection Date; or

(b) on the Final Maturity Date or, if earlier, the Payment Date on which the Notes will be redeemed in full, the lesser of (x) the amount referred to in (a); and (y) such amount as is required to pay under items (i), (ii) and (iv) of the Pre-Enforcement Order of Priority or the Post-Enforcement Order of Priority.

"**Issuer's Rights**" mean the Issuer's rights under the Transaction Documents.

"**Issuer Secured Creditors**" means the Security Trustee in its own capacity and as security trustee under the English Deed of Charge, the Noteholders, any receiver appointed under the English Deed of Charge, the Originator, the Account Banks, the Servicer, the Subordinated Loan Provider, the Corporate Services Provider, the Cash Manager, the Calculation Agent, the Luxembourg Agent, the Swap Calculation Agent, the Representative of the Noteholders, the Swap Counterparty and the Paying Agents.

"**Italian Deed of Pledge**" means the deed of pledge governed by Italian law executed by the Issuer on or about the Issue Date pursuant to which the Issuer has granted in favour of the Noteholders and the Other Issuer Creditors a first priority pledge over: (i) all monetary claims and rights and all the amounts (including payment for claims, indemnities, damages, penalties, credits and guarantees) to which the Issuer is entitled pursuant to the Transaction Documents (other than the Security Documents, the Swap Agreement and the Subscription Agreement) to which the Issuer is a party; (ii) any existing or future pecuniary claim and right and any sum credited from time to time to the AM2 Collection Account (other than the Excluded Collections), the AM2 Payment Account, the AM2 Investment Account, the AM2 Principal Accumulation Account and the AM2 Cash Collateral Account; (iii) the Eligible Investments and all dividends, interest and other monies payable in respect thereof and all other rights, benefits and proceeds deriving therefrom, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

"**Italian Paying Agent**" means Deutsche Bank S.p.A., in its capacity as Italian paying agent pursuant to the Cash Allocation, Management and Agency Agreement, or its permitted successors or assigns from time to time.

"**Joint Lead Managers**" means CDC IXIS Capital Markets, UBS Limited and WestLB AG, London Branch.

"**Legal Rate of Interest**" means the rate of interest determined for each calendar year by a decree of the Italian Ministry of Economy to be published in the Italian Official Gazzette (*Gazzetta Ufficiale della Repubblica Italiana*) not later than 15 December of each year, *provided that*, in the event that such decree is not issued by such date, the rate of interest applicable in the immediately following year shall remain unchanged. The Legal Rate of Interest applicable for year 2004 is equal to 2.5%.

"**Limited Recourse Loan**" means a first demand limited recourse loan advanced by the Originator to the Issuer pursuant to Article 8 of the Transfer Agreement and in the circumstances set out thereunder.

"**Local Business Day**" means a day (other than a Saturday or a Sunday) on which banks are generally open for business: (i) in the case of the Account Bank, in Genoa, (ii) in the case of the Payment Account Bank and the Italian Paying Agent, in Milan, (iii) in the case of the Principal Paying Agent, in London, and (iv) in the case of the Luxembourg Agent, in Luxembourg, or in all these cases the city where any successor thereto has its office.

"**Luxembourg Agent**" means Deutsche Bank Luxembourg SA in its capacity as Luxembourg listing agent pursuant to the Cash Allocation, Management and Agency Agreement, or its permitted successors or assigns from time to time.

"**Mandate Agreement**" means a mandate agreement entered into on or about the Issue Date between the Issuer and the Representative of the Noteholders, pursuant to which the Issuer has attributed to the Representative of the Noteholders certain rights and powers, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

"**Monte Titoli**" means Monte Titoli S.p.A.

"**Monte Titoli Account Holders**" means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli.

"**Monte Titoli Mandate Agreement**" means the agreement (*convenzione*) between the Issuer and Monte Titoli S.p.A. pursuant to which Monte Titoli S.p.A. has agreed to provide certain services in relation to the Notes on behalf of the Issuer, as from time to time modified in accordance with the provisions herein contained and including any agreement or other document expressed to be supplemental thereto.

"**Moody's**" means Moody's Investors Service Inc.

"**Mortgage Loan**" means a loan which qualifies as a *mutuo fondiario* and is secured by a *mutuo fondiario* mortgage, or a loan, advance, facility or other form of financing arrangement (other than a *mutuo fondiario*) which is secured by a voluntary mortgage (*ipoteca volontaria*), the Receivables in respect of which have been transferred by the Originator to the Issuer pursuant to the Transfer Agreement, and "**Mortgage Loans**" means all of them.

"**Mortgage Loan Agreement**" means a *fondiario* loan agreement and/or *ipotecario* loan agreement secured by a voluntary mortgage from which the Receivables derive, together with any other deed, contract, agreement or document which integrate or amend such loan agreement or in any manner relating thereto (including, by way of example, any deed of assignment (*atti di accollo*)).

"**Mortgagor**" means any person, whether a Debtor or a third party and its permitted successors and assigns, who has granted a Mortgage to secure the payment of a Receivable.

"**Mortgages**" means any mortgage granted to secure a Mortgage Loan.

"**Non-performing Receivable**" (*Crediti in Sofferenza*) means any of the Receivables classified as *in sofferenza* in accordance with the relevant provisions of the Bank of Italy.

"**Noteholders**" means the holders of the Class A Notes, the holders of the Class B Notes and the holders of the Class C Notes.

"**Notes**" means the Class A Notes, the Class B Notes and the Class C Notes.

"**Obligor**" means any person, other than a Debtor or a Mortgagor, who has granted a Collateral Security to secure the Receivables, and/or its permitted successors and assigns .

"**Official Gazette**" means the *Gazzetta Ufficiale della Repubblica Italiana*.

"**Optional Redemption**" means the option of the Issuer to redeem the Notes in accordance with Condition 7.3 (*Optional Redemption of the Notes*).

"**Order of Priority**" means the order in which the Issuer Available Funds shall be applied on each Payment Date prior to and/or following the service of an Enforcement Notice in accordance with the Conditions and the Intercreditor Agreement.

"**Organisation of the Noteholders**" means the association of the Noteholders created on the Issue Date.

"**Originator**" means Banca Carige S.p.A..

"**Other Issuer Creditors**" means the Originator, the Representative of the Noteholders, the Security Trustee, the Calculation Agent, the Corporate Services Provider, the Servicer, the Cash Manager, the Luxembourg Agent, the Account Banks, the Paying Agents, the Subordinated Loan Provider, the Swap Calculation Agent and the Swap Counterparty.

"**Outstanding Principal**" means, on any date and with respect to each Mortgage Loan, the aggregate outstanding Principal Instalments scheduled to be paid after such date (excluding, for the avoidance of doubt, any overdue and unpaid Principal Instalments).

"**Paying Agents**" means the Principal Paying Agent and the Italian Paying Agent.

"**Payment Account Bank**" means Deutsche Bank S.p.A., in its capacity as payment account bank pursuant to the Cash Allocation, Management and Agency Agreement, with which the AM2 Payment Account is opened, or its permitted successors and assigns from time to time.

"**Payment Date**" means 27th day of January, April, July and October in each year (or, if any such day is not a Business Day, the next succeeding Business Day) and, following the delivery of an Enforcement Notice upon the occurrence of an Insolvency Event, any Business Day as shall be specified in the Enforcement Notice.

"**Payments Report**" means the report prepared by the Calculation Agent pursuant to the Cash Allocation, Management and Agency Agreement.

"**Performing Receivable**" (*Crediti in Bonis*) means any Receivable other than a Delinquent Receivable, a Defaulted Receivable or a Non-performing Receivable.

"**Portfolio**" means the portfolio of residential mortgage loan receivables and connected rights purchased by the Issuer from the Originator pursuant to the terms of the Transfer Agreement.

"**Post-Enforcement Order of Priority**" means the order in which the Issuer Available Funds shall be applied following the service of an Enforcement Notice in accordance with the Conditions and the Intercreditor Agreement.

"**Pre-Enforcement Order of Priority**" means the order in which the Issuer Available Funds shall be applied on each Payment Date prior to the service of an Enforcement Notice in accordance with the Conditions and the Intercreditor Agreement.

"**Preliminary Portfolio**" means the portfolio of receivables selected by the Originator on the basis of the Criteria on the 31 May 2004.

"**Principal Amount Outstanding**" means, on any day:

(a) in relation to each Class of Notes, the aggregate principal amount outstanding of all Notes in such Class;

(b) in relation to a Note, the principal amount of that Note upon issue less the aggregate amount of all Principal Payments in respect of that Note that have been repaid on or prior to that date.

"**Principal Amortisation Amount**" means, on each Payment Date falling before January 2006, the greater of (i) nil; and (ii) an amount equal to:

(a) the aggregate Principal Amount Outstanding of the Class A Notes, the Class B Notes and the Class C Notes as at the immediately preceding Collection Date, less

(b) the aggregate Outstanding Principal of the Collateral Portfolio as at the immediately preceding Collection Date, less

(c) such amount set aside by way of Principal Amortisation Amount on preceding Payment Date(s) less any such amount that has been included in the Issuer Available Funds on preceding Payment Date(s) as a result of the insufficiency of the Issuer Available Funds to satisfy the Issuer's payment obligations under items (i) to (xi) (inclusive) of the Pre- Enforcement Order of Priority or, as the case may be, items (i) to (viii) (inclusive) of the Post-Enforcement Order of Priority.

"**Principal Instalments**" means, in relation to each Mortgage Loan, the periodic scheduled repayments of principal due to be made pursuant to such Mortgage Loan Agreement.

"**Principal Paying Agent**" means Deutsche Bank AG London, in its capacity as principal paying agent pursuant to the Cash Allocation, Management and Agency Agreement, or its permitted successors and assigns from time to time.

"**Principal Payment**" means the principal amount redeemable in respect of each Note as determined in accordance with Condition 7.2 (*Mandatory pro rata Redemption*) of the Terms and Conditions of the Notes.

"**Purchase Price**" means the purchase price of all Receivables purchased by the Issuer pursuant to the Transfer Agreement, being the sum of: (a) the Initial Purchase Price; and (b) the Deferred Purchase Price.

"**Quarterly Report Date**" means the 10th day of each January, April, July and October of each year (or, if any such day is not a Business Day, the immediately preceding Business Day).

"**Quotaholders**" means Stichting Faro and Columbus CARIGE Immobiliare S.p.A ("**Columbus**").

"**Quotaholders' Agreement**" means a quotaholders' agreement entered into on or about the Issue Date between the Issuer, Stichting Faro, Columbus and the Representative of the Noteholders pursuant to which certain rules have been set forth in relation to the corporate management of the Issuer, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

"**Rate of Interest**" means, in respect of each Class of Notes, Three Month Euribor (or, in the case of the Initial Interest Period, the rate per annum obtained by linear interpolation of Euribor for three month and four month deposits in Euro) plus the Relevant Margin for such Class of Notes.

"**Rating Agencies**" means Moody's and Fitch.

"**Real Estate Assets**" means the real estate properties which have been mortgaged in order to secure the Mortgage Loans.

"**Receivables**" means each and every right arising under the Mortgage Loans comprised in the Portfolio, including but not limited to:

(a) all the rights in relation to all outstanding principal amounts under the Mortgage Loans as of the Effective Date;

(b) all the rights in relation to interest (including default interest) which will accrue on the Mortgage Loans from the Effective Date;

(c) all the rights accrued up to the Effective Date and which will accrue from the Effective Date, in relation to any amount due to the Originator in relation to or in connection with the Mortgage Loan Agreements and any Guarantees and Insurance Policies connected thereto, including the right to recover legal and judicial expenses (if any) and other expenses incurred in relation to the recovery of the Receivables,

together with all Mortgages and Collateral Security (including any pledge and guarantees (*fideiussioni omnibus*), to the extent that the amounts deriving from their enforcement are to be paid to the Issuer pursuant to the criteria for the application of any such amounts as specified in the Collection Policy), and privileges and priority rights and other ancillary rights (*accessori*) pertaining thereto, as well as any other right, claim and action (including any action for damages), substantial and procedural action and defences inherent or otherwise ancillary to such rights and claims and to the exercise thereof in accordance with the provisions of the Mortgage Loan Agreements and/or pursuant to the applicable law, including, but not limited to, the contractual right of termination for breach of contract (*diritto di risoluzione contrattuale per inadempimento*) or other reasons and the right to accelerate the obligations of the Debtor (*diritto di dichiarare i debitori decaduti dal beneficio del termine*), as well as any other rights of the Originator in relation to any Insurance Policies in relation to the Receivables, the Mortgage Loan Agreements and the Real Estate Assets.

"**Reference Banks**" means three (3) major banks in the Euro-zone inter-bank market selected from time to time by the Calculation Agent and approved by the Issuer.

"**Relevant Margin**" means:

– 0.18% per annum in respect of the Class A Notes;

– 0.32% per annum in respect of the Class B Notes; and

– 0.83% per annum in respect of the Class C Notes.

"**Representative of the Noteholders**" means Deutsche Trustee Company Limited, in its capacity as representative of the Noteholders pursuant to the Subscription Agreement and its permitted successors or assigns from time to time.

"**Rules of the Organisation of the Noteholders**" means the By-laws of the Organisation of the Noteholders, attached to the Conditions.

"**S&P**" means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies Inc.

"**Scheduled Cash Collateral Amount**" means an amount equal to:

(a) if the Cumulative Default Ratio as of the last preceding Collection Date is higher than or equal to 6%, Euro 18,590,000; or

(b) if the Cumulative Default Ratio as of the last preceding Collection Date is lower than or equal to 6%:

  (i) the Initial Cash Collateral Amount; or

  (ii) upon and following redemption of 50% (fifty per cent) of the Initial Principal Amount of the Class A Notes, Euro 7,600,000; or

  (iii) upon and following redemption in full of the Class B Notes, the lower of (x) the Principal Outstanding Amount of the Class C Notes and (y) Euro 3,800,000.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended.

"**Security Interest**" means any mortgage, charge, guarantee, pledge, lien, encumbrance, right of set-off, special privilege (*privilegio speciale*), assignment by way of security, retention of title or any other security interest whatsoever or any other agreement or arrangement having the effect of conferring security.

"**Securitisation**" means the securitisation of the Receivables comprised in the Portfolio and the issuance of the Notes by the Issuer.

"**Securitisation Expenses**" means costs and expenses in relation to the Securitisation, any amount payable to the Other Issuer Creditors under the Transaction Documents and any other amount payable under item (iv) of the Pre-Enforcement Order of Priority or, as the case may be, the Post-Enforcement Order of Priority.

"**Securitisation Law**" means Italian Law No. 130 of 30 April 1999.

"**Security Trustee**" means Deutsche Trustee Company Limited, in its capacity as security trustee and its permitted successors or assigns from time to time.

"**Servicer**" means CARIGE, in its capacity as servicer pursuant to the Servicing Agreement, or its permitted successors or assigns from time to time appointed in accordance with the Servicing Agreement.

"**Servicer's Quarterly Report**" means the report to be made by the Servicer on each Quarterly Report Date pursuant to the Servicing Agreement.

"**Servicing Agreement**" means the servicing agreement entered into on 25 June 2004 between the Issuer and the Servicer, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

"**Servicing Fee**" means an amount equal to, on each Payment Date: (a) 0.4% of the Collections collected by the Servicer during the immediately preceding Collection Period in respect of any Receivable classified as Performing Receivable, Delinquent Receivable or Defaulted Receivable; *plus* (b) 4.0% of the Collections collected by the Servicer during the immediately preceding Collection Period in respect of any Non-performing Receivable.

"**Stock Exchange**" means the Luxembourg Stock Exchange.

"**Subordinated Loan**" means the loan provided by the Subordinated Loan Provider to the Issuer pursuant to the Subordinated Loan Agreement.

"**Subordinated Loan Agreement**" means the subordinated loan agreement entered into on or about the Issue Date between the Issuer and the Subordinated Loan Provider, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

"**Subordinated Loan Provider**" means CARIGE, in its capacity as subordinated loan provider pursuant to the Subordinated Loan Agreement, or its permitted successors or assigns from time to time.

"**Subscription Agreement**" means the subscription agreement entered into on or about the Issue Date between the Issuer, the Representative of the Noteholders, the Originator and the Joint Lead Managers, as from time to time

modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

"**Swap Agreement**" means the International Swaps and Derivatives Association, Inc. ("**ISDA**") 1992 Master Agreement ("**Multicurrency – Cross Border**") and schedule thereto (the "**Master Agreement**") entered into between the Issuer and the Swap Counterparty on or about the Issue Date, together with a swap confirmation (the "**Swap Confirmation**") entered into by the parties to evidence the terms of the relating swap transaction (the "**Swap Transaction**"), as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

"**Swap Calculation Agent**" means CDC IXIS Capital Markets, London Branch, in its capacity as swap calculation agent pursuant to the Cash Allocation, Management and Agency Agreement or its permitted successors or assigns from time to time.

"**Swap Counterparty**" means CDC IXIS Capital Markets, London Branch, in its capacity as interest rate swap provider or its permitted successors or assigns from time to time.

"**Swap Payment Date**" means the second Business Day prior to each Payment Date.

"**Swap Payments Report**" means the report prepared by the Swap Calculation Agent pursuant to the Cash, Allocation, Management and Agency Agreement.

"**Three Month Euribor**" has the meaning given to it in Condition 6.2 (*Rate of Interest*) of the Terms and Conditions of the Notes.

"**Transaction Documents**" means the Intercreditor Agreement, the Transfer Agreement, the Security Documents, the Corporate Services Agreement, the Servicing Agreement, the Subscription Agreement, the Cash Allocation, Management and Agency Agreement, the Mandate Agreement, the Subordinated Loan Agreement, the Quotaholders' Agreement, the Swap Agreement, the Monte Titoli Mandate Agreement, the Terms and Conditions of the Notes and the Rules of the Organisation of the Noteholders.

"**Transfer Agreement**" means the receivables purchase agreement entered into on 25 June 2004 between the Originator and the Issuer, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

"Umbrella Policy" means the "umbrella" insurance policy (*polizza ombrello*) taken out by CARIGE in order to cover the risks of fire, explosion and any other damage caused by fumes, gas leakage, abnormal function of central heating or air conditioning systems with respect to the Real Estate Assets not covered by other Insurance Policies executed by the Debtors due to the failure by the relevant Debtors to pay the insurance policy premiums thereunder on or before the due dates therefor.

"**U.S. persons**" has the meaning given to it in Regulation S under the Securities Act.

"**Valuation Date**" means 22 June 2004.

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